

Buildings and Safety Engineering Department

Performance Audit

September 2000

MEMORANDUM

DATE: November 28, 2000

TO: Mayor Dennis Archer
Honorable City Council

FROM: Joseph L. Harris
Auditor General

RE: Performance Audit of the Buildings and Safety Engineering Department

Attached for your review is our report on the performance audit of the Buildings and Safety Engineering Department (BSED). This performance audit focused on BSED permits and licenses, enforcement, and financial operations.

This report contains an executive summary; a glossary of acronyms and terms; our audit objectives, scope, and methodology; background; benchmarking measures which compares Detroit's Buildings and Safety Engineering Department to those of other major cities; our findings and recommendations; and an Attachment containing Buildings and Safety Engineering Department's responses to the findings and recommendations.

A copy of this report has been provided to the Buildings and Safety Engineering Department.

We appreciate the cooperation and assistance received from the employees of the Buildings and Safety Engineering Department, their customers, and from employees of other cities who participated in our survey.

**Buildings and Safety Engineering Department
September 2000**

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EXECUTIVE SUMMARY

Buildings and Safety Engineering Department

Introduction

This report contains the result of our performance audit of the Buildings and Safety Engineering Department (BSED).

Audit Purpose

This audit was initiated by the Auditor General to identify the cause of complaints expressed by citizens and City Council, and to make recommendations for improvements.

Background

This performance audit focused on processes within the various divisions of the Department based on our preliminary review and other considerations, including issues and findings raised in previous audits by our office, and our understanding of the concerns of others about the Department's operations.

Currently, the Department is in the process of implementing new systems (e.g., Tidemark) and programs (Zoning Enforcement Initiative) within the various divisions. A portion of our review has been performed parallel to the implementation of these new systems and programs.

Overall Conclusion

BSED needs to improve its management, financial and enforcement operations. There is a lack of management and financial information, lack of accountability, and weak enforcement of City codes and ordinances. The Department has lost millions of dollars in the past ten years due to poor accounting controls, billing practices, and lack of professional accounting support. High turnover, unfilled positions, and lack of training have resulted in inconsistent customer service by clerical and inspection staff with some staff providing excellent service and others poor service. The inability to fill all inspection staff vacancies could slow building and development in the City. Many of the City's neighborhoods are blighted with abandoned homes that are open and dangerous and many other homes that have not been properly maintained which face serious challenges to become code compliant. Some of the Department's fees, such as permit fees for new residential construction, appear to be high when compared to other cities. Record keeping and filing systems are poor resulting in misplaced and lost records.

There is an increased potential for misuse of the public trust because of the nature of the work performed by BSED's employees and temptations that arise because of the large cost involved for many projects and the desire for expediency. Also, the current environment of poor record keeping, weak internal controls, and lack of accountability makes it unlikely that unethical behavior will be detected. There is a need for employees of regulatory agencies who are entrusted with assuring public safety to be ethical, honest, consistent, and fair in their enforcement of ordinances and codes.

The Department has initiated many changes in the past two years including: implementing a "one stop shop" that has greatly improved the permitting process; implementing an automated permit and inspection tracking system (Tidemark); acquiring

additional positions including inspector positions; providing morale boosters such as employee recognition programs; changing the law to include presale inspections of rental properties; and establishing LMQI (Labor Management Quality Initiative) teams to develop and implement process improvements like training and updating written procedures. The 2000-2001 fiscal year budget provides for more aggressive enforcement. During our audit, we noted steps taken to improve the billing process and establish more detailed reporting, plans for training division chiefs to be better managers and accountable for their responsibilities, and surveys to inventory the number of abandoned buildings and properties subject to inspection.

The number of permits issued by BSED has increased significantly in the past two years. Also, there has been improvement in the number of annual inspections, use licenses, and presale inspections paid for in the past two years. The Department recorded a surplus of revenues over expenditures of \$291,000 in fiscal year 1999-2000. Although, there has been much progress much more work remains as detailed in our findings and recommendations.

Summary of Findings

- BSED lacks detailed management and accounting reports, performance measures and accountability, which is necessary for effectively managing the Department's resources and evaluating performance.
- BSED lacks the necessary accounting support from the Finance Department and its own staff to effectively manage its financial operations and maximize revenues.
- The City should consider establishing BSED as a Special Revenue Fund to account for its operations in accordance with the State Construction Code Act (Public Act 245 of 1999).
- BSED has not always properly billed use licenses, periodic inspections, and other inspections, resulting in lost revenue to the City.
- BSED's system for scheduling annual rental inspections and for collecting fees for the inspections and rental registrations has had problems, such as not including all rental property in the City, incorrect addresses, and lack of responses from rental owners, resulting in rental inspections, rental registrations, and related revenues not being maximized.
- BSED's enforcement of City ordinances and codes has been weak, with little follow-up on cited violations, which could contribute to reduced public safety, lack of compliance with ordinances and codes, blight in neighborhoods, and loss of revenue.
- BSED collection efforts for delinquent accounts receivable are weak, and uncollected accounts are not turned over to the City Treasurer's office as required, resulting in a large balance of uncollected fees, which will likely never be collected.

- BSED is not properly maintaining and accounting for the fire insurance escrow funds resulting in a lack of assurance that the insurance proceeds are being properly safeguarded, reported, and used for the intended purpose (i.e., demolitions).
- BSED lacks: (1) consistency of interpretation and application of City ordinances, codes, and procedures amongst inspection and clerical staff; (2) communication technology; and (3) training for effective customer service, which could result in a lack of compliance with City codes and ordinances such as obtaining necessary permits, or in discouraging contractors from doing business in the City altogether.
- BSED lacks adequate controls over special land use grants, such as conducting required inspections and maintaining a filing system for the grants, which could result in grant conditions not being met and misplaced grant records.
- BSED's filing system for permits and inspection reports, violation notices, general license inspections, and periodic inspections is poor resulting in long searches for records and potential for misplaced or lost records.
- As of September 1, 2000, BSED had 84 vacant positions or 21% out of a total of 392 budgeted positions included in the 2000-2001 fiscal year budget, resulting in reduced inspection and enforcement services which could slow building and development in the City.
- BSED can lessen the net tax cost to the City for its operations by improving billing, collections, accounting, management information, and accountability systems.
- BSED lacks effective controls over checks received in the mail and is not depositing them within 48 hours as required, which results in greater exposure to checks being misplaced or lost and hurts the City's cash flow.

Summary of Recommendations

We recommend the BSED take action to:

- Establish a detailed management information system, performance measures, and targets, and hold inspectors, supervisors and division heads accountable.
- Establish an Accounting Division and acquire the accountants needed to effectively manage the Department's financial operations and maximize revenues.
- Establish BSED as a Special Revenue Fund if the intent of the City is to have the BSED's fees cover its costs.
- Establish an accounts receivable system for fee notices, inspections and other billings, which utilizes the Detroit Resource Management System, or acquire a similar system that has the ability to age accounts receivable, and hold applicable staff accountable for properly billing, collecting, and reporting all use licenses, periodic inspections, rental inspections, rental registrations, and all other billable fees.
- Review and update billing and inventory records to reflect correct owners, addresses, account balances, equipment requiring use licenses, and other necessary information.
- Aggressively enforce City ordinances and codes by: staffing the Zoning Enforcement division; maintaining detailed information reports on inspections, violations, and court enforcement; following-up on violations; holding division heads, supervisors and inspectors accountable for enforcement; increasing inspector efficiencies; filling vacant positions; and creating educational programs for the public, contractors, and landlords.
- Pursue collection of accounts receivable more aggressively by: following-up on delinquent accounts with phone calls and notices; establishing a written policy and procedures for collections; and turning over all uncollected accounts receivable to the City Treasurer as required.
- Safeguard the fire insurance escrow fund by: maintaining subsidiary records and reconciling them monthly with the general ledger and bank account; preparing aging reports and investigate any accounts older than 120 days; and ensuring demolition inspection reports and inspections of repairs are properly documented before disbursing escrow funds.
- Improve customer service by: training inspectors to be fair and consistent in the interpretation, application, and enforcement of City codes and ordinances; establishing customer service goals, measures and targets for the timely delivery of service; requiring inspectors to better communicate

findings; providing customer service training; implementing new employee orientation; providing diversity training; reprogramming the automated phone system; considering providing inspectors with cell phones; and developing an enforceable employee code of ethics to preserve the integrity of the licensing, permitting, and enforcement processes.

- Conduct annual inspections of all special land use grants and organize and file special land use grants and records in a secure place for the life of the grant.
- Improve filing and record keeping by: obtaining a records management clerk; and establishing a filing system that adequately secures records, facilitates locating them on a timely basis, and accounts for all records removed.
- Investigate reasons for turnover and vacancies and take corrective measures to fill positions in a timely manner and reduce turnover, or contract for positions that the City is unable to fill.
- Endorse checks received in the mail "for deposit only" immediately upon receipt and deposit them within 48 hours.

GLOSSARY

Glossary of Acronyms and Terms

Abandoned Building	A vacant building, dilapidated and open at the door or window, leaving the interior of the building exposed to the elements or accessible to entrance by trespassers.
Application	Application for Rental Registration and Certificate of Housing Inspection and associated fees, including rental registration, inspection, and delinquent fees.
BSED	The Buildings and Safety Engineering Department.
Building Inspector	Inspects new and existing buildings, structures, and signs to assure compliance with pertinent City ordinances and codes, approved plans, specifications, and accepted standards and methods of work; and examines plans for compliance with pertinent codes, laws, and ordinances for approval of application for permits.
Certificate of Acceptance	Issued for building, mechanical, electrical, and plumbing work for which inspections verify compliance with the City's ordinances and codes.
Certificate of Occupancy	Issued for new building construction or any structural changes made to a building (commercial or residential) for which inspections verify compliance with City ordinances and codes and that a building is safe to occupy.
Contractor License	Annual or biannual license approved by the appropriate BSED division to authorize a contractor to apply for permits and perform work in the City.
Dangerous Building	Any building or structure which has any or all of the defects or is in any of the conditions described in Ordinance number 290-H including "whenever any building shall become vacant, dilapidated and open at door or window, leaving the interior of the building exposed to the elements or accessible to entrance by trespassers" shall be deemed a "Dangerous Building" and unsafe.
Department	Buildings and Safety Engineering Department.
Director	Director of the Buildings and Safety Engineering Department.
DRMS	Detroit Resource Management System
Dwelling	Single family, two family, or multiple family property.

Electrical Inspector	Inspects electric lighting, heat, and power installations to assure compliance with pertinent City ordinances and codes, approved plans, specifications, and accepted standards and methods of work; and examines plans for compliance with pertinent codes, laws, and ordinances for approval of application for permits.
Enforcement	To compel observance of (a law etc.).
Fee Notice	Billing document for use licenses.
Housing Inspector	Inspects and reports on the condition of residential dwellings and their environs to ensure compliance with pertinent City ordinances and codes and accepted sanitary and safety standards.
Inspector	Person responsible for the administration and enforcement of the construction of buildings, structures, or appurtenances under the requirements of the applicable City ordinances and codes administered and enforced within the jurisdiction of the BSED.
Lack	The fact or condition of not having enough; shortage; deficiency.
LPBS	Licenses and Permits Billing System is an automated system for issuing licenses (i.e., business, occupational and use), permits and fee notices.
Mechanical Inspector	Inspects heating, ventilation, refrigeration, and air conditioning equipment and systems to assure compliance with pertinent City ordinances and codes, approved plans, specifications, and accepted standards and methods of work.
Net Tax Cost	Contributions required by the City's General Fund to pay that portion of the Department's costs which exceed the revenues generated by the Department's operations.
Nuisance Property	Abandoned building that exerts a downgrading or blighting influence on the surrounding neighborhood, discouraging neighbors from making improvements to properties and thus adversely affecting the tax revenue of the City.
One Stop Shop	Plan Review division and Permit Center where permit applicants can be processed for the most part at one location eliminating trips to other Departments and divisions within the BSED.

Performance Audit	A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.
Periodic Inspection	Annual and biennial inspections required by ordinance, which include building, cross connection control (plumbing), heating, and rental inspections.
Plan Review	Examination of construction documents for the purpose of determining compliance with applicable codes.
Plumbing Inspector	Inspects plumbing and drainage systems to assure compliance with pertinent codes and City ordinances, approved plans, specifications, and accepted standards and methods of work; and examines plans for compliance with pertinent codes, laws and ordinances for approval of application for permits.
Rental Unit	Room or group of rooms forming a single habitable unit with facilities used or intended to be used by one or more individuals for living, sleeping, cooking and eating purposes for which the occupant is required to pay rent, pursuant to an oral or written agreement.
Temporary Occupancy Permit	Permit for owner occupant to occupy a dwelling while the corrections or repairs needed for a certificate of approval are being made.
Unfired Pressure Vessel	A tank, vessel, or receptacle (other than a boiler, pressure piping or approved machine part and its appurtenances for the keeping, transfer, or use under pressure of steam, vapor, compressed air, gas, and/or liquid.
Use License	Annual and biennial licenses required by ordinance for use, which include elevators, boilers, signs, awnings, hazardous gas, liquid petroleum gas, pressure vessels (biennial), and refrigeration (biennial).
Violation	Any act which is made or declared to not be in compliance with City codes, ordinances and other laws, or any omission or failure to act in accordance with City codes, ordinances and any other laws.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

Audit Objectives

Our performance audit of the Detroit Buildings and Safety Engineering Department had the following objectives:

Program Objectives

- Evaluate the effectiveness and efficiency of the BSED's inspection programs.
- Evaluate the effectiveness and efficiency of the BSED's licenses and permit programs.
- Determine whether building and safety ordinances are properly enforced.
- Review and analyze BSED finances, including revenue and expenditures.
- Determine whether permit and inspection fees are properly billed and collected.
- Determine whether BSED customers are being served in a timely and professional manner.
- Determine whether BSED's goals (Goals Based Governance) and targets are being achieved.
- Assess the relationship between charges for services and cost of services to determine the capability of the Department to be self-sufficient.
- Benchmark selected Departmental operations to determine best practices.

Internal Control Objectives:

- Determine the adequacy of BSED internal controls relating to: (1) reliability and integrity of information; (2) safeguarding of assets; and (3) compliance with policies, plans, procedures, laws, and regulations.
- Determine whether adequate documentation and record keeping are maintained.

- Determine whether effective segregation of duties are utilized (e.g., especially over billings and inspections).
- Determine whether detailed records agree with summary records.
- Determine whether adequate methods are in place to measure (e.g., management information system) the performance of the BSED's functions.
- Determine whether City procedures are followed.
- Determine whether transactions are accurately and properly recorded in a timely manner.

Audit Scope

Our audit focused primarily on BSED permits and licenses, enforcement, and financial operations. We examined and evaluated human resources, accounting, management, equipment, and procedures of the BSED. We reviewed each major division in BSED including License and Permits, Building, Housing, Mechanical, Electrical, and Plumbing.

Our audit was conducted in accordance with the Governmental Auditing Standards issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

We interviewed BSED management and other personnel, and permit and inspection customers. In addition, we observed operations, blighted neighborhoods with abandoned buildings, commercial businesses that are required to obtain use licenses such as for signs, and rental and other commercial properties that would require periodic inspections. Also, we reviewed records, confirmed billings, and surveyed building and safety departments of other cities to compile benchmarking data. A great deal of data and reports were provided by BSED including staffing reports, training records, billing records, operating procedures, escrow records, permits, inspection reports, violation notices, codes, ordinances, budgets, and organization chart.

BACKGROUND

Building permits were first issued in the City of Detroit in 1877 under provisions of ordinances enforced by the Fire Marshall, who was also empowered to inspect the construction of the buildings. In 1885, the Charter of the City of Detroit was amended to establish a board of three building inspectors who were appointed by the City Council. These inspectors were empowered and directed to inspect public buildings annually and also to inspect dangerous buildings and to examine buildings in the course of construction. This board took over the issuing of building permits in 1908 from the Fire Marshall. The first official Building Code was enacted in 1911. In 1918 a new Charter was adopted and the board was abolished and the Buildings and Safety Engineering Department (BSED) was created.

The mission of the BSED is to provide for the safety, health, and welfare of the general public, as it pertains to buildings and their environs in an efficient, cost effective, user friendly and professional manner.

The goals of the BSED are as follows:

- (1) Ensure the safe design and construction of buildings and installation of components by enforcing current nationally recognized codes as established by City ordinance.
- (2) Maintain the stability and safety of neighborhoods by enforcing the property maintenance code and other related ordinances.
- (3) Ensure peace and safety of the public by enforcing zoning codes, conditions, and other relevant regulations.
- (4) Satisfy business, residential, and other customers.
- (5) Operate the Department in a financially responsible manner to provide for a lower cost of government and pass efficiencies along to customers.
- (6) Build and maintain a high-performance organization that is the department sought by employees to work in and results in national, state and local respect for the skills and expertise of the employees.

The City of Detroit Code, Article 7, Chapter 4, Section 7-401 states "The building department shall administer and enforce all laws, ordinances and regulations relating to the use of land (zoning)." The Buildings and Safety Engineering Department has quasi-police powers for enforcing the various ordinances under its jurisdiction, and operates under a Director appointed by the Mayor. These ordinances provide for the health, safety and welfare of the people. For example, the expressed intent of the Building Code (Ordinance 290-H) is to ensure public safety, health and welfare insofar as they are affected by building construction, through structural strength, adequate egress facilities, sanitary equipment, light and ventilation, and fire safety; and, in general, to secure safety to life and property from all hazards incident to the design, erection, repair, removal, demolition, or use and occupancy of buildings, structures or premises. Permits, licenses, registrations, inspections and enforcement activities are intended to protect the public by providing assurance that work done in the City will meet minimum safety and workmanship standards. The public has the right to demand that anyone

they contract with to do building, plumbing, electrical, or mechanical work have the required business and occupational licenses and permits. In addition, permitted work is required to be inspected by the BSED to ensure the minimum standards are met. When work is done without required licenses and permits, there is a greater risk of substandard and unsafe work.

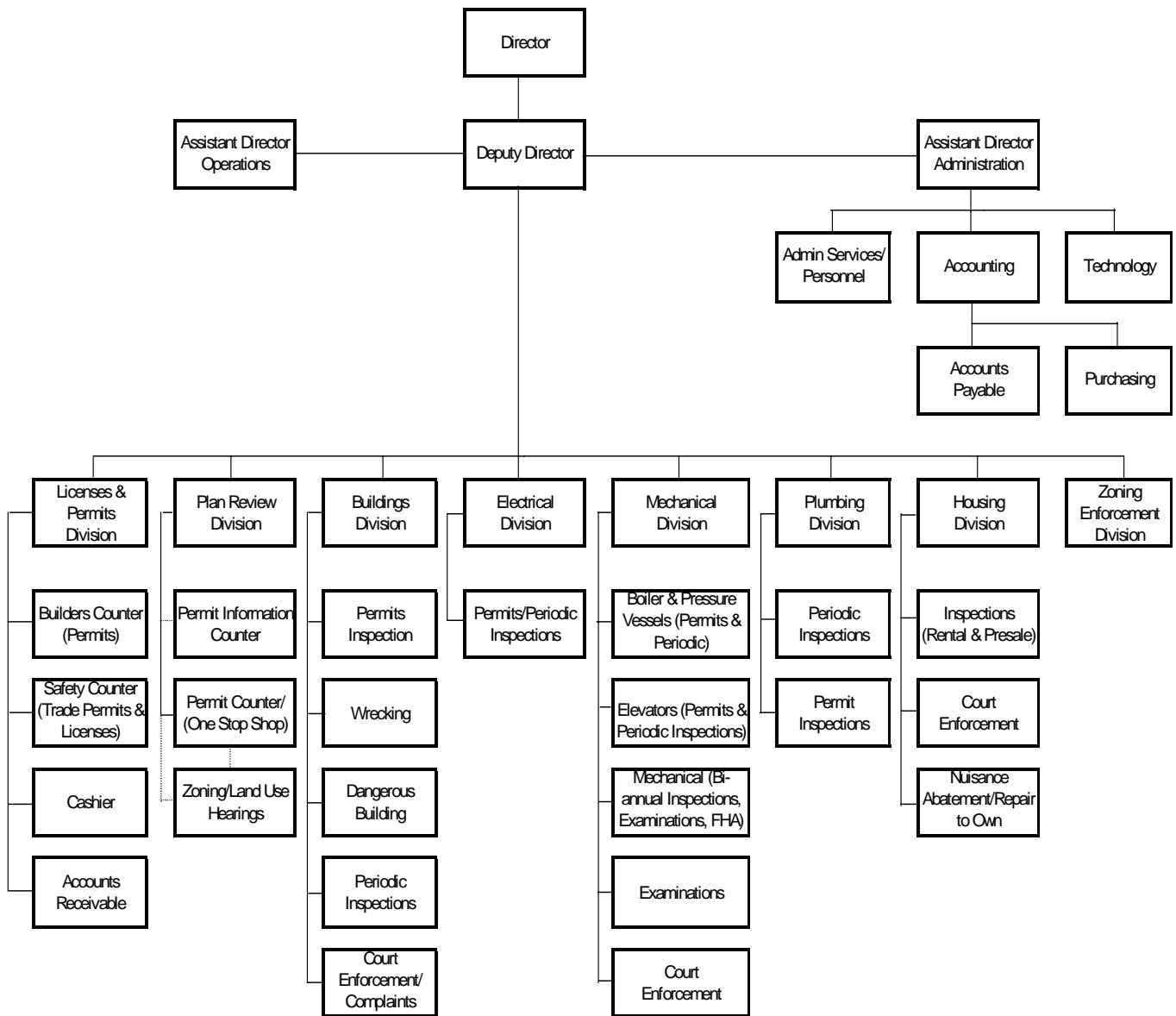
The BSED administers City ordinances and codes, which control the erection, alteration, use and maintenance of new and existing buildings and structures. The Department issues permits and monitors construction and use through inspection services. The maintenance of conditions in existing buildings and their environs are regulated by ordinances, which require periodic inspections. In addition, the Department issues contractor and occupational (trade) licenses and registrations.

BSED enforces the State Construction Code Act (Public Act 245 of 1999). The State Construction Code Act was adopted in 1999 by the State to provide standard plumbing, electrical, mechanical and building codes for the entire State. The purpose of this Act includes, in part, providing standards and requirements for construction and construction materials consistent with nationally recognized standards and requirements; and to ensure adequate maintenance of buildings and structures throughout the State and to adequately protect the health, safety and welfare of the people. Presently, the State mandated code consists of nationally recognized model building codes, other nationally recognized model codes and standards, and amendments, additions, or deletions to the building code or other codes and standards, as the director of the State Department of Consumer and Industry Services determines appropriate. After the date that sections 2, 3, 8, 9, and 9a of the State mandated code are repealed, which is expected by the end of 2000, the code shall consist of the International Residential Code, International Building Code, International Mechanical Code, International Plumbing Code published by the International Code Council, National Electrical Code published by the National Fire Prevention Association, and Michigan Uniform Energy Code with amendments, additions, or deletions as the director of the State Department of Consumer and Industry Services determines appropriate.

In addition, BSED (Housing division) jointly with the City's Health Department enforces the Housing Law of Michigan (Act 167 of 1917). The intent of the Housing Law, in part, is to promote the health, safety and welfare of the people by regulating the maintenance, alteration, health, safety, and improvement of dwellings. The Housing Law requires the enforcing agency (BSED) to maintain a registry of owners and premises and to conduct periodic inspections of rental properties. Rental property inspections provide tenants with assurance that the rental property meets minimum health and safety standards. Tenants can make complaints to the BSED Housing division, which will investigate and issue violations when warranted. BSED also enforces the BOCA (Building Officials and Code Administrator) 1996 Property Maintenance Code, which is intended to ensure public health, safety, and welfare insofar as they are affected by the continued occupancy of structures and premises. Existing structures and premises that do not comply with this code are required to be altered or repaired to provide a minimum level of health and safety.

On the following page is an organization chart of the BSED at the time of the audit.

Buildings and Safety Engineering Department Organization Chart



The Department is made up of several divisions including Administration, Licenses and Permits, Plan Review, Building, Electrical, Mechanical, Plumbing, Housing, and Zoning Enforcement. Also, the Department manages the Nuisance Abatement and Repair to Own Program programs. In addition, the Department enforces the provisions of the Zoning Ordinance.

The Administration division is responsible for program development and coordination. It promulgates and administers Departmental policies and procedures. In addition, the division is responsible for: (1) administering all personnel, payroll and purchasing activities; (2) hearings and appeals; (3) Departmental policy planning and budget development; and constituent concerns.

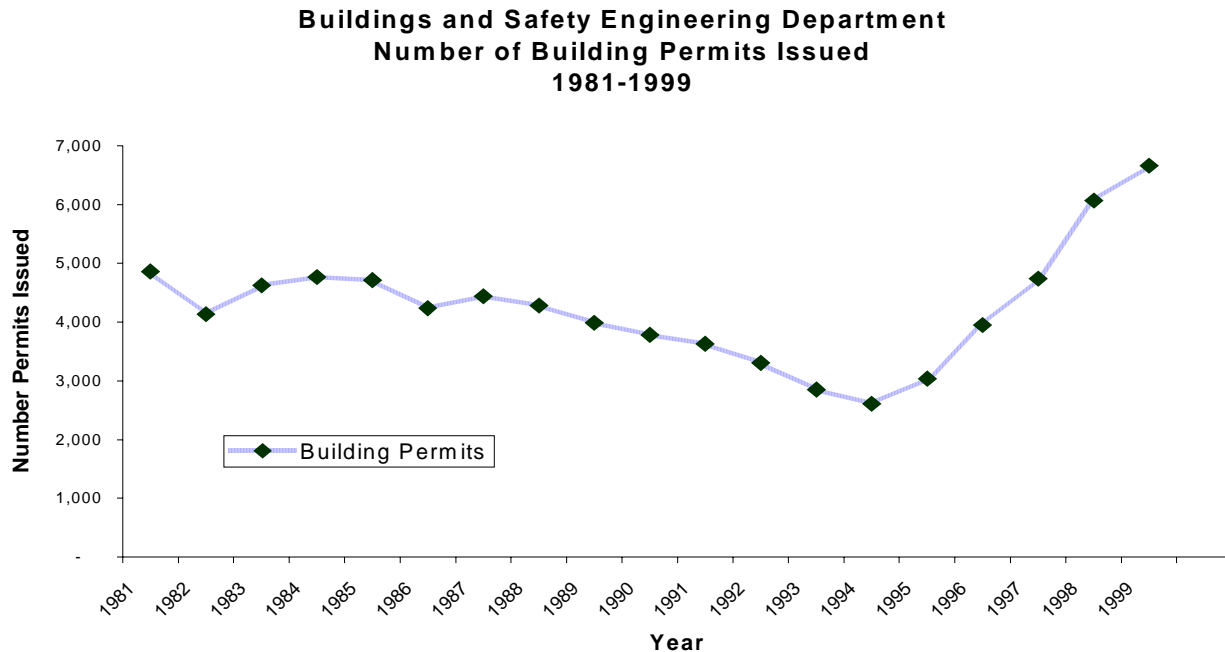
The Licenses and Permits division is responsible for: (1) maintaining the billing and accounting for funds associated with the operation of the BSED; and (2) accepting payment for licenses, including those issued by the various inspection divisions (i.e., Electrical, Plumbing, Housing, Mechanical, and Building). The Department is in the process of breaking out the billing section into a separate work unit. In addition, the License and Permits division manages the fire insurance escrow, utility escrow, and rental escrow accounts. Further, the Licenses and Permits division is responsible for issuing permits, certificates of inspection, business and occupational licenses, and use licenses. Also, it compiles financial and statistical information for the Department.

The Plan Review division is responsible for ensuring compliance with City adopted codes and ordinances in the design of buildings. The staff perform: (1) review and approvals of construction plans (design drawings, work description), which involves Building, Electrical, Mechanical, and Plumbing code compliance verification; (2) review and approval of applications for homeowner trade permits, building permits, demolition permits, awning permits, sign permits, canopy permits; and (3) compatibility studies, zoning verification, land use grant inspection, zoning variance request processing, and coordination of plan review by other City agencies, such as the Health Department, the Detroit Water and Sewerage Department, City Engineering Division of the Department of Public Works, and Fire Department. The "One Stop Shop" design of the Plan Review division allows for BSED to efficiently route plans to other City agencies for review. It also provides one location where representatives of each agency and BSED can provide on-site assistance to customers, eliminating the need for customers to visit other locations. This division has seen significant growth in permit volumes over the last five years as detailed in the table and graph below.

Buildings and Safety Engineering Department
Building Permit Statistics
For Calendar Years 1980 to 1999

Year	Number Building Permits Issued	Estimated Cost of Work For Permits Issued
1981	4,862	\$ 216,121,426
1982	4,137	347,752,811
1983	4,624	131,486,628
1984	4,765	292,811,836
1985	4,713	211,236,830
1986	4,239	192,784,190
1987	4,442	388,076,028
1988	4,282	336,062,648
1989	3,985	261,237,530
1990	3,781	368,664,317
1991	3,631	141,138,533
1992	3,306	171,237,609
1993	2,850	176,177,377
1994	2,612	188,369,150
1995	3,035	559,709,597
1996	3,951	588,878,550
1997	4,742	558,157,360
1998	6,068	840,298,657
1999	6,660	795,390,167

Fiscal year 1999-2000 ending June 30, 2000, had 6,920 building permits issued totaling \$1,175,082,998.



The Building division enforces the Building Code, Zoning Ordinance, and other City ordinances. It is responsible for inspections of work done for permits secured as required by the building code, periodic inspections of buildings and structures, inspections of citizen complaints concerning the building code and zoning ordinance, and inspecting signs and awnings. The Building division ensures that construction methods agree with approved plans, which are in accordance with building codes and standards. In addition, the Building division is charged with management of the dangerous building process which includes inspections of dangerous buildings and making recommendations to City Council for ordering a building demolished, repaired, or otherwise made safe. The court enforcement section of the Buildings division is responsible for ensuring compliance of building violations including prosecution in court.

The Electrical division enforces the Electrical Code. The division reviews construction plans and inspects work done for permits secured as required by the Electrical Code. In addition, it conducts periodic and complaint inspections. Also, it conducts testing and licenses journeyman and master electricians for the City.

The Mechanical division enforces the various Mechanical Codes such as the Elevator Code and American Society of Mechanical Engineers (ASME) Boiler and Pressure Vessel Code. The division inspects work done for permits secured as required by the various Mechanical Codes. In addition, it conducts periodic and complaint inspections. The Mechanical division includes three inspection divisions: (1) elevators, (2) boiler, and (3) mechanical (i.e., heating and refrigeration), which are responsible for the regulation of the design, installation, and maintenance of the equipment. The Mechanical division's examinations section is responsible for all testing of business and occupational licenses relating to the operation of the above equipment. The Mechanical division's court enforcement section is responsible for ensuring compliance of mechanical violations and

abatement of consumer fraud through owner identification procedures, issuance of tickets, and prosecution in court.

The Plumbing division enforces the Plumbing Code. The division inspects work done for permits secured as required by the Plumbing Code. In addition, it conducts periodic and complaint inspections. It is responsible for the inspection of plumbing and drainage installations in new and existing buildings and premises for compliance with the provisions of the City plumbing ordinance. Cross-connection control inspections are done for protection of the potable water distribution systems in buildings. Plumbing division personnel review plans of proposed plumbing and drainage systems in new construction and in alterations of existing structures and premises.

The Housing division operates in accordance with the Housing Law of Michigan (Act 167 of 1917) and Detroit City Code on Housing (Chapter 26). The primary responsibility of the Housing division is the preservation and improvement of the quality of housing in the City through the inspection of existing dwellings and their environs to ensure compliance with pertinent codes. To meet this responsibility the division is involved in: (1) presale (special) inspections of all single and two-family dwellings sold in the City; (2) periodic inspections of hotels, motels, multi-family (i.e., apartments, townhouses, etc.) and other rental properties; (3) complaint inspections of rental properties; and (4) rental registrations. The Housing division is also responsible for maintaining the registry of rental dwellings. The division maintains a database containing rental properties, owner name and address, rental registrations, rental inspections, and associated fees.

The Housing division is also responsible for the Nuisance Abatement and Repair to Own Programs. The Nuisance Abatement Program started in 1988, for individuals to rehabilitate vacant, abandoned, tax delinquent housing, which created a nuisance in neighborhoods. The Repair to Own program started in 1989 under Executive Order number 27. It supplemented the Nuisance Abatement program by making available, single family dwellings, acquired by the City through the tax reversion process, to individuals who desired to enter into a contract to repair, occupy, and ultimately become homeowners. It was enacted as a City ordinance in 1997.

The Zoning Enforcement division was created by ordinance to enforce the zoning ordinance through the issuance of the Municipal Civil Infraction violation notices and citations, and to accept admissions of responsibility and payment of civil fines for those violations. The division was in process of becoming operational at the time of our audit.

Special Land Use (Land Use Hearing) staff are responsible for: processing all special land use requests (permitted with approval uses, regulated uses, and controlled uses), verifying all required neighborhood survey petitions, working with staff of the City Planning Commission and Planning and Development Department on land use issues, and amendments and updates to the text of Detroit's Zoning Ordinance.

BS&D has 392 positions included in its budget for the fiscal year 2000-2001. Of the 392 budgeted positions, 193 are inspectors including six boiler, seven elevator, and four zoning inspectors. Inspection work is done on a permit, referral, periodic, or complaint basis. Housing, Electrical, and Plumbing inspectors are members of the Detroit Building and Construction Trades Council (AFL-CIO) Union. The Building and Mechanical inspectors are members of the American Federation of State County and Municipal Employees (AFSCME) Union. Detailed below are the total number of budgeted

positions for BSED and budgeted building, electrical, plumbing, housing, and heating inspector positions.

Buildings and Safety Engineering Department
Number of Selected Budgeted Positions
For Ten Selected Fiscal Years from 1979-80 to FY 2000-01

Fiscal Year	BSED Total Number	Building Inspectors	Electrical Inspectors	Plumbing Inspectors	Housing Inspectors	Mechanical (Heating) Inspectors
1979-80	323	45	19	13	36	26
1984-85	263	39	12	9	22	23
1989-90	308	39	12	9	47	19
1994-95	260	32	11	9	36	16
1995-96	284	42	12	9	36	16
1996-97	300	35	14	10	51	18
1997-98	360	40	21	15	48	22
1998-99	360	40	21	15	48	22
1999-00	380	42	22	22	48	28
2000-01	392	49	22	22	53	30

Budget decreases during the 1980's and 1990's resulted in the loss of both inspection and clerical staff. As a result, BSED was required to cutback inspection and enforcement services, to the detriment of the community. Clerical functions such as billings, collections, filing, posting, etc. also suffered and contributed to poor revenue management practices.

Inspectors are generally required to have education equivalent to graduation from an accredited high school, advanced training in their discipline (e.g., building or plumbing), apprenticeship, experience working in their discipline, physical ability to do the inspections, writing and other communication skills, and maintain certifications required for their positions. For example, building, mechanical, electrical, and plumbing inspectors are required to maintain registration as an inspector and plan reviewer with the State of Michigan, as required by Public Act 54 of 1986. Continuing education and training are also required to maintain registrations.

Until recently, only about 25% of the record keeping of the Department was automated, and these systems were outdated and utilized inflexible mainframe programs. The remaining record keeping, for the most part, was performed manually, although in some cases enterprising BSED employees developed databases to track their work (i.e., rental registration and court enforcement). The BSED appeared to receive little support from the City's Information Technology Services Department (ITS) in automating its record keeping.

Currently, BSED is implementing the Tidemark permitting and inspection tracking system. The system will automate the issuance and tracking of all permits and inspections. In addition, inspection scheduling, occupational, contractor and use license issuance, rental registration, and presale inspection will also be available. The automation of these essential functions is expected to take one year. Once the "core" system is in place, BSED also plans to implement and automate plan review routing, interactive voice response system, hand-held inspector devices, and web-based permitting. At the time of our audit, electrical, plumbing, boiler and elevator permits,

which were previously issued manually, were being issued through Tidemark with the related inspections being recorded in the system as well.

The BSED budget for the fiscal year 2000-2001 provides for \$24.7 million in appropriations and \$20.5 million in revenues, which results in a budgeted net tax cost (i.e., general fund support) of \$4.2 million. The budgeted appropriations have increased by 73% and the budgeted net tax cost has increased by 306% since 1994-95, while the number of permits issued increased by 149% from 1994-95 (2,778 permits) to 1999-2000 (6,920 permits). The following schedule provides the budgeted appropriations, revenues, net tax cost and positions for the current and past six fiscal years for BSED:

Buildings and Safety Engineering Department
Budgeted Appropriations, Revenues, Net Tax Cost and Positions
For Each Fiscal Year from 1994-95 to 2000-01

Fiscal Year	Budgeted Appropriations	Budgeted Revenues	Net Tax Cost	Budgeted Positions
1994-1995	\$14,270,225	\$13,231,899	\$1,038,326	260
1995-1996	16,661,779	13,977,597	2,684,182	284
1996-1997	18,177,253	13,368,210	4,809,043	300
1997-1998	21,642,051	16,406,796	5,235,255	360
1998-1999	19,818,739	17,419,420	2,399,319	360
1999-2000	22,747,842	19,757,310	2,990,532	380
2000-2001	24,682,362	20,470,000	4,212,362	392

The actual results of BSED operations for the past two fiscal years resulted in favorable variances from the net tax cost included in BSED's budget. For the fiscal year 1999-2000 (which has not yet been audited), BSED recorded a surplus (revenues exceeded expenditures) of \$290,766 compared to the \$2,990,532 budgeted net tax cost. The principal reasons for the favorable result in 1999-2000 was that actual permit revenues exceeded budgeted amounts by \$2.7 million (or 31%), while salaries and fringe benefits were \$2.4 million (or 12%) less than the budgeted amounts; due to the large number of vacancies. For the fiscal year 1998-99, the actual net tax cost was about \$533 thousand less than the amount budgeted (\$1,865,832 compared to \$2,399,319). The main reasons for the favorable difference was that permit revenues exceeded the budget by \$900,000 (or 11%) and the actual fringe benefits and equipment costs were much less than budgeted.

The number of housing units in the City of Detroit has been declining since the 1960s. The 1990 Census estimated that there were 410,027 housing units in the City. The Southeast Michigan Council of Governments (SEMCOG) estimates that there were 376,626 housing units in the City at June 2000. SEMCOG data also showed that 31% of City households were in poverty and the median housing value was \$25,300 in 1990. City median housing values are currently among the lowest in the nation. The relatively poor housing values and conditions of properties in some Detroit neighborhoods creates an inordinate strain on City resources to enforce codes and deter blight. The City's disproportionate percentage and number of single-family rental houses makes enforcement difficult. The economies of multiple rental units in one structure (e.g., apartment buildings and rooming houses) that exists in other cities is greatly lessened in Detroit, where the majority of rental structures contain only one unit at each site.

Presented below is the estimated number of housing units and percentages by type in the City in 1990 based on the 1990 Census.

Type of Housing Unit	Number	Percentage of Total
Owner Occupied	197,929	48%
Renter Occupied	176,128	43
Vacant Units	35,970	9
Total Households	410,027	100%

The number of renter occupied units, as a percentage of the existing housing stock, especially for single-family homes, has grown dramatically since the 1960s. At one time, Detroit led the nation in owner-occupied housing. The auto industry and union wages allowed many Detroiters who would have been renters to purchase homes. The decline of industry in the City and movement of much of the population to the suburbs in the past three decades left the City with many abandoned homes and resulted in an increase in the number of homes rented.

Many of the homes that remain in the City have not been properly maintained. According to the BSED Director, even with strong enforcement, compliance for these homes would be problematic, considering that an estimated 31% of the households living in Detroit are below the poverty level and cannot afford the required upkeep and repairs. In addition, the economic situation causes affordable monthly rents to be lower than rents for comparable housing found outside the City, which results in the inability and unwillingness of landlords to make repairs and improvements to many rental properties. Furthermore, in the past the law exempted rental properties from presale inspections, which contributed to the decline of the physical condition of rental properties. This law was changed by the City in 1999, to include presale inspections for rental property. Most of the housing stock in the City is old with many dating back to the 1920s and 1940s. For many of these homes, the cost to renovate and bring them up to code would exceed the fair market value or resale value, which contributes to a decision to abandon. This is a dilemma that homeowners and the City face in fighting blight. The demolitions of housing units in the City of Detroit have greatly exceeded the number of new housing units built by a total of 91,897 over the past 20 years as presented by the following schedule:

City of Detroit
Number of New Housing Units Compared to Number of Demolished Units
For Calendar Years 1980 to 1999

Calendar Year	Single Family New Units	Multi-Family New Units	Gross Total New Units	Demolition Total Units	Net Decrease Total Units
1980	13	915	928	5,505	-4,577
1981	7	1,365	1,372	7,672	-6,300
1982	3	1,278	1,281	4,017	-2,736
1983	9	156	165	5,173	-5,008
1984	12	57	69	4,356	-4,287
1985	2	217	219	4,837	-4,618
1986	1	123	124	6,056	-5,932
1987	2	298	300	4,796	-4,496
1988	3	362	365	6,301	-5,936

1989	1	345	346	5,918	-5,572
1990	0	659	659	4,731	-4,072
1991	18	338	356	3,707	-3,351
1992	163	337	500	3,440	-2,940
1993	40	203	243	3,204	-2,961
1994	39	356	395	2,273	-1,878
1995	67	138	205	5,949	-5,744
1996	35	51	86	8,432	-8,346
1997	68	27	95	4,838	-4,743
1998	79	237	316	4,453	-4,137
1999	176	378	554	4,817	-4,263
Total	738	7,840	8,578	100,475	-91,897

The number of paid permits, annual inspections, use licenses, rental registrations, and presale inspections have increased in 1997-98 and 1998-99, as detailed in the schedule which follows. However, the schedule also shows that the number of use licenses and rental registrations were much less in these two fiscal years compared to 1980-81 (as applicable) and 1989-90.

Buildings and Safety Engineering Department
Number of Paid Permits (all types), Use Licenses, Periodic Inspections (all types),
Business Licenses, Rental Registrations and Presale Inspections
For Selected Fiscal Years from 1980-81 to 1998-99

Fiscal Year	Number Paid Permits	Number Paid Annual Inspections	Number Paid Use Licenses	Number Paid Rental Registrations	Number Paid Presale Inspections
1980-81	37,818	17,911	20,505	N/A	8,738
1986-87	27,939	15,522	12,277	7,214	8,120
1989-90	24,276	24,770	13,079	12,763	8,218
1996-97	27,554	8,700	6,636	4,209	7,022
1997-98	29,731	12,288	6,140	6,358	7,244
1998-99	30,842	19,176	7,777	6,481	7,393

BENCHMARKING

We conducted a survey of sixteen other major U.S. cities building and safety departments to obtain data for benchmarking purposes. In addition, we utilized data from BSED's own benchmarking review done in 1998. We also obtained benchmarking data from the municipal library and the Internet. We obtained data on: (1) budgets; (2) abandoned buildings; (3) demolitions; (4) fees charged; (5) permits issued; (6) communication systems; (7) organization; and (8) other areas of operations. We received responses from eleven building and safety departments, including in alphabetical order: Ann Arbor, Michigan; Baltimore, Maryland; Cincinnati, Ohio; Cleveland, Ohio; Houston, Texas; Indianapolis, Indiana; Milwaukee, Wisconsin; Minneapolis, Minnesota; Pittsburgh, Pennsylvania; Seattle, Washington; and Toledo, Ohio. BSED benchmarking data was obtained from: Chicago, Illinois; Indianapolis, Indiana; Milwaukee, Wisconsin; and Minneapolis, Minnesota. We also obtained data from: Columbus, Ohio (via the Internet); Grosse Pointe Park, Michigan; Mt. Clemens, Michigan; and Warren, Michigan on fees charged. The data enabled us to determine where the Detroit Buildings and Safety Engineering Department (BSED) ranked in selected areas compared to other building and safety departments. The tables and graphs, which follow on this page and the next several pages, provide such comparisons.

Since some cities may not be truly comparable to Detroit, one must be careful in interpreting benchmark data. For example, a city that does not combine its housing inspections with building, plumbing, electrical, and mechanical inspections into one department may not have as many inspectors, or as large a budget, as Detroit's BSED.

The following table presents the budgeted revenues, expenditures, and net tax cost for Detroit and eleven other U.S. cities, listed in order of net tax cost (lowest to highest):

Benchmark Data - Budgets
Detroit Compared to Other Cities
For the Year 2000 or Latest Available Year

City	Budgeted Revenues	Budgeted Expenditures	Difference (net tax cost)
Houston	\$22,973,654	\$18,674,980	\$4,298,674
Pittsburgh	4,280,000	2,840,000	1,440,000
Baltimore	6,508,000	5,221,570	1,286,430
Minneapolis	12,605,542	11,961,822	643,720
Ann Arbor	2,800,000	2,160,000	640,000
Indianapolis	2,569,143	2,569,143	0
Toledo	1,600,000	1,900,000	(300,000)
Seattle	31,000,000	32,000,000	(1,000,000)
Cincinnati	4,551,000	7,121,245	(2,570,245)
Milwaukee	9,490,000	12,183,263	(2,693,263)
Detroit	19,757,310	22,747,842	(2,990,532)
Cleveland	7,245,000	10,408,985	(3,163,985)

Detroit (BSED) had the second highest budgeted net tax cost of all the cities surveyed. Six of the eleven building and safety departments were budgeted to be self-sufficient.

The following table presents staffing data on the total number of positions budgeted and number of inspectors budgeted, listed in order of total number of personnel budgeted from highest to lowest for Detroit and eleven other U.S. cities:

Benchmark Data - Total positions and Inspector Positions Budgeted
Detroit Compared to Other Cities
For the Year 2000 or Latest Available Year

City	Total Number of Positions Budgeted	Total Number of Inspectors Budgeted	Ratio of Total Positions to Inspector Positions
Detroit	380	174	2.18 : 1
Seattle	315	82	3.84 : 1
Houston	300	158	1.90 : 1
Milwaukee	277	124	2.23 : 1
Cleveland	212	120	1.77 : 1
Minneapolis	155	76	2.04 : 1
Cincinnati	116	71	1.63 : 1
Baltimore	89	43	2.07 : 1
Pittsburgh	64	41	1.56 : 1
Indianapolis	61	33	1.85 : 1
Ann Arbor	35	19	1.84 : 1
Toledo	29	17	1.71 : 1

Detroit had the highest number of total positions and inspector positions budgeted for any department. The Department's inefficient operations are somewhat masked by the excessive fees charged for services rendered.

The following table presents building permit fees charged for construction of a new residential home costing \$225,000 with 2,000 square feet and alteration of a commercial building costing \$250,000 for an area of 1,140 square feet for Detroit and ten other U.S. cities, ranked in order of highest cost to lowest cost.

Benchmark Data - Comparison of Building Permit Fees
Detroit Compared to Other Cities
For the Year 2000 or Latest Available Year

City	Permit Fee New Residence Costing \$225,000 (2,000 square feet)	Permit Fee Alterations Costing \$250,000 (1,140 square feet)
Detroit	\$ 2,987	\$ 3,312
Cleveland	2,075	2,250
Minneapolis	1,625	1,762
Cincinnati	1,620	1,745
Baltimore	1,600	3,175
Seattle	1,585	1,710
Ann Arbor	1,256	1,381
Toledo	660	859
Pittsburgh	185	2,552
Indianapolis	85	135
Houston	85	1,005

Detroit permit fees for residential home construction and alterations to a commercial building were the highest of the eleven cities in the survey. They were significantly higher than all the other cities with the exception of Baltimore, Maryland for alterations to a commercial building, and may be excessive.

The following table presents permit fees charged for: (1) installation of a new gas fired heating unit (150,000 BTU per hour); (2) demolition of a residence with 15,000 cubic feet and a demolition cost of \$6,000; and (3) a wall sign of 16 square feet. The data is presented in order of highest fee to lowest fee based on the gas fired heating unit permit fee for Detroit and ten other U.S. cities.

Benchmark Data - Fees for Heating, Demolition and Wall Sign Permits
Detroit Compared to Other Cities
For the Year 2000 or Latest Available Year

City	Heating Permit Fee New Installation (150,000 BTU)	Demolition Permit Fee Residential \$6,000 cost (15,000 Cubic Feet)	Wall Sign (up to 16 Square Feet) Permit Fee
Detroit	\$92	\$176	\$25
Seattle	80	165	80
Columbus	75	100	50
Chicago	60	N/A	N/A
Pittsburgh	47	112	37
Ann Arbor	40	70	25
Milwaukee	40	N/A	35
Minneapolis	35	60	75
Indianapolis	25	40	20
Cincinnati	N/A	80	N/A
Houston	N/A	N/A	45

Detroit had the highest permit fees charged for a gas fired heating unit and for the demolition of a residence with 15,000 cubic feet with a demolition cost of \$6,000. These fees were much higher than other cities with the exception of Seattle. Detroit's permit fee for a 16 square foot wall sign was lower than most of the other cities surveyed.

The following table presents presale inspection permit fees charged by Detroit and seven other U.S. cities ranked in order of highest fee to lowest fee:

Benchmark Data - Presale Inspection Fees
Detroit Compared to Other Cities
For the Year 2000 or Latest Available Year

City	Fee for Presale Inspections
Detroit	\$225
Milwaukee	175
Mt. Clemens	175
Warren	150
Toledo	100
Grosse Pointe Park	65
Cincinnati	35
Minneapolis	20

Detroit charges the highest presale inspection fees among those cities responding to our survey. The impact of these high fees is compounded by the fact that Detroit's median home values are among the lowest in the country. The intent of presale inspections is, in part, to slow the deterioration of aging housing stock by encouraging homeowners to properly maintain their homes.

The BSED needs to analyze its fee structure. As noted in findings two and three of this report, the fees charged should cover the costs of operation and administrative overhead. **Excessive fees could indicate a need to be more efficient and to better manage costs, or they could be a reflection of more complex inspection conditions required for older housing stock.**

The following table presents the number of all types of permits issued and the number of permits issued for new residential construction for Detroit and eight other U.S. cities in the 1999 calendar year, ranked from highest to lowest for number of all types of permits issued.

Benchmark Data - Permits Issued
Detroit Compared to Other Cities
For Calendar Year 1999

City	Total Number of All Types of Permits Issued	Total Number of Permits Issued For New Residential Construction in 1999
Minneapolis	61,635	118
Detroit	30,840	175
Seattle	23,000	556
Houston	22,207	5,204
Baltimore	21,662	144
Toledo	20,252	106
Ann Arbor	14,000	188
Cincinnati	10,135	122
Pittsburgh	2,271	101

Detroit ranked second highest in the number of all types of permits issued, and fourth highest in the number of permits issued for new residential construction in 1999. The City of Detroit has had a substantial increase in the number of permits issued in the past three years because of the increased building and development in the City. The majority of this increase is in the area of residential alterations, additions, and repairs.

The table, which follows, presents data on whether a surveyed city charges use license fees, conducts periodic inspections, or requires owners of rental property to register their property. Data is presented in alphabetic order by city, for Detroit and ten other U.S. cities.

Benchmark Data - Use Licenses, Periodic Inspections and Rental Registrations
 Detroit Compared to Other Cities
 For the Year 2000 or Latest Available Year

City	Use License Fee Charged (e.g., Elevators)	Periodic Inspections Conducted	Rental Registration Required
Ann Arbor	No	By Fire Dept.	Yes
Baltimore	No	No	Yes
Cincinnati	Yes	No	No
Detroit	Yes	Yes	Yes
Houston	Yes	Only One Time	No
Indianapolis	N/A	No	N/A
Milwaukee	Yes	Yes	Yes
Minneapolis	Yes	By Fire Dept.	Yes
Pittsburgh	No	No	No
Seattle	Yes	No	No
Toledo	No	By Fire Dept.	No

Detroit and five of the ten cities surveyed charge use license fees, four do not, and one did not answer. Only Detroit and one other city of the ten cities, conduct periodic safety inspections, three have their fire department do the inspection, five do not conduct periodic inspections and Houston does a one time inspection. Detroit and four of the other ten cities require rental property registration, five do not, and one did not answer.

The following table presents data on whether Detroit and surveyed cities provide cell phones to inspectors, and whether they have automated phone systems to channel calls to the correct section in the department. Data is presented in alphabetic order by city, for Detroit and twelve other U.S. cities.

Benchmark Data - Cell Phones and Automated Phone Systems
 Detroit Compared to Other Cities
 For the Year 2000 or Latest Available Year

City	Provide Cell Phones to Inspectors	Use of Automated Phone System to Channel Calls to Correct Section
Ann Arbor	Yes	No
Baltimore	Yes	Yes
Chicago	Yes	Yes
Cincinnati	Yes	No
Cleveland	No	No
Detroit	No	No*
Houston	Yes	Yes
Indianapolis	Yes	Yes
Milwaukee	Yes	No
Minneapolis	Yes	Yes
Pittsburgh	No	Yes
Seattle	Yes	Yes
Toledo	Yes	Yes

*BSED has an automated call routing system that is not currently in use, however BSED plans on installing it, according to the Director.

Detroit and two other cities do not provide their inspectors with cell phones, while the other ten cities do. Eight of the twelve cities surveyed had automated phone systems and four cities did not. Detroit does provide pagers to all inspectors and reimburses them for all work-related calls. Based on this data it appears Detroit could improve its communication technology for its Building and Safety Engineering Department.

The table below provides the number of abandoned buildings and the number of buildings demolished in the 1999 calendar year, for Detroit and nine other U.S. cities, presented in order of highest to lowest number of buildings demolished.

Benchmark Data - Number of Abandoned Buildings and Demolitions
Detroit Compared to Other Cities
For Calendar Year 1999

City	Estimated Number of Abandoned Buildings	Total Number of Buildings Demolished
Detroit	10,000	2,670
Baltimore	13,024	1,756
Houston	N/A	1,695
Milwaukee	N/A	485
Seattle	333	400
Toledo	N/A	348
Pittsburgh	1300 to 1400	234
Cincinnati	1,000	167
Minneapolis	340	28
Ann Arbor	41	19

Detroit had the highest number of demolitions and the second highest number of abandoned buildings of those cities, which responded to this part of our survey. Detroit was significantly higher in both categories than any other city surveyed with the exception of Baltimore, Maryland, which had a greater number of abandoned buildings. An article in the "USA Today" newspaper, dated March 20, 2000, reported that Philadelphia (27,746), Baltimore (15,000) and Houston (8,000) had more abandoned buildings than Detroit (7,500 per article). The article also noted that most cities do not know the number of abandoned buildings they have. The demolition statistics indicate the City of Detroit is aggressive in removing dangerous buildings from its neighborhoods. However, according to the BSED Director, a recent survey conducted by BSED in June and July 2000, indicated the number of abandoned buildings rose to 10,300 (3,300 open and dangerous and 7,000 barricaded). BSED has initiated vacant building surveys in each of the last three years for the purpose of identifying all vacant structures and updating their status in the dangerous buildings database.

FINDINGS AND RECOMMENDATIONS

1. Need to Improve Management Reports and Accountability

Management of the Buildings and Safety Engineering Department (BSED) lacks detailed reports for inspections, violations, court cases, and other performance measures. In addition, BSED has not established formal detailed performance measures and targets at the inspector, supervisor, and division levels for purposes of accountability. Without a good management information system and accountability, BSED management lacks the tools necessary to effectively manage the Department's resources and evaluate performance.

Management Reports

A good system of internal control includes a system of measuring, reporting and analyzing information to provide effective controls over departmental performance. Measurement is the first step to understanding problems and opportunities. Corrective actions and continuous improvements follow, and progress is monitored from a measured baseline. A management information system provides a tool for management to plan more effectively and to communicate concerns and potential problems associated with pending backlogs. Implementation of a management information system and establishing methods of accountability would create an environment for improvement.

BSED lacks a detailed reporting system to (a) evaluate Department, Division and individual performance, (b) measure the volume of work that flows through the Department, (c), effectively monitor work requirements and distribution, or (d) identify historical trends. BSED inspectors manually record the date, time, address, type of inspection (e.g., periodic, permit, general license, etc.), disposition (e.g., violation, "ok", etc.) for every inspection on a daily route report. Inspectors also manually prepare inspection reports and violation notices. BSED divisions compile some of the data from the inspector daily route reports and other information into goals based governance information reports, which includes number of periodic inspections, permits issued, permits inspected, inspections billed, payments received, violation notices issued, and court cases filed. However, these goal-based-governance reports are inadequate for assessing performance and accountability. They do not identify the number of open and closed permits, complied and noncomplied emergency violations, open and closed violations, open and closed complaints, open and closed court cases, general license inspections targeted and performed, inspections scheduled and performed by each inspector, and other performance measures. Also, reports on historical trends to compare performance measures such as emergency violations from one period to another are not prepared.

For example, the Department reported 24,000 building inspections for fiscal year 1998-99 in its goals based governance report. A detailed reporting of building inspections would provide the number of inspections performed for: (a) each type of annual or periodic inspection (e.g., church, factory, office building, etc.), (b) each type of permit (e.g., new construction, alterations, signs, etc.) (c) dangerous buildings, (d) signs and awnings, (e) complaints, (f) demolitions, (g) violation reinspections, and (h) other types of inspections done by the building division. In addition, detailed reports would include the number of inspections targeted, scheduled, or required for each type of inspection so that management could determine the performance of the building division in conducting inspections. Also, the data would enable the Department to determine the number of

required inspections that were not accomplished and remain to be performed. Also, a detailed report would provide the number of each type of inspection performed for one or more proceeding years to identify favorable and unfavorable variances.

More meaningful reporting and information are needed for analysis of the performance of each division, supervisor and inspector. With this information the Department can identify successes and failures and focus on those areas needing improvement.

In the past, the Department prepared annual reports with detailed performance information about inspections, violations, and court cases by division. For example, the Department reported the number of violations issued and the number of violations complied. These annual reports have not been prepared since 1993. We could not tell the number of violations that were complied with, because this data was not compiled and reported. The BSED Director said an annual report will be prepared for the fiscal year 1999-2000.

Chapter 12, Section 11-12.9 of City Ordinance 290-H requires "at least annually, the building official (director) shall submit to the mayor, a written statement of operations in the form and content as shall be prescribed by the mayor." Also, Section 5-106 of the City Charter requires Department directors to "present annually in quantitatively measurable terms the Department's operational performance during the past year and the objective for planned improvement in the coming year. The report shall be submitted to the mayor and city council not later than the date established for the mayor to submit to the city council a proposed annual budget for the next fiscal year."

The Department needs updated inventories of property locations that should be inspected periodically and a tracking mechanism, which indicates the date inspections were performed at each location. In addition, the Department needs property reports identifying updated rental properties subject to annual inspections and property locations requiring use licenses. This information is necessary for the complete and efficient scheduling of the required inspections. A new permit and inspection tracking system (known as Tidemark) was being implemented at the time of our audit. Tidemark is intended to provide the Department with the ability to track inspections performed and not performed and provide management reports that are currently lacking. Also, at the time of our audit, BSED was updating its commercial building and mechanical use license inventories.

To manage and control achievement of its objectives, BSED should have reports or information lists of all locations subject to inspection, including the location, identification of those in operation, date of last inspection, name of inspector, name of supervisor, whether the inspection was passed or failed, violations cited, date of violation notice, date violation notice was sent, corrective action taken, and date corrected. There should be a system for follow-up to ensure that violations are responded to appropriately.

We recognize that it is difficult to maintain an accurate inventory of commercial properties subject to periodic inspections, real estate properties subject to registration and annual inspections, and signs and other items requiring use licenses, due to the large number of properties and the high turnover of ownership and abandonments. However, it is imperative that BSED conduct periodic surveys of these properties at a minimum of once each year to update and maintain accurate records and to enable efficient and effective achievement of objectives.

Accountability

We were told by the Director that BSED strengths include the technical expertise of its division heads, supervisors, and inspectors. Although division heads and supervisors are skilled in their respective trades such as building construction, they lack business management training and experience. BSED division heads were not effectively monitoring the performance of their inspectors, supervisors and divisions. They were not using the data available to establish measures and targets, assess performance and hold staff accountable for attaining targets. There appeared to be no measures and targets or other means for accountability for inspectors, supervisors and division chiefs.

The Director has initiated a management development plan for all BSED division heads, which includes management training, goal setting, and accountability. The division heads will establish visions, goals, measures and targets, which they will be held accountable for achieving. The plan calls for eight biweekly sessions of three hours each starting in July 2000. This initiative will result in division level action plans, budgets, financial reviews, performance reports, and information for the BSED's executive summary for executive meetings with the Mayor. It will also establish accountability for division heads.

Recommendation

We recommend the Department prepare annual reports for each fiscal year with performance data by division detailing permits, inspections, violations, court cases, and other pertinent information. In addition, we recommend that measures and targets be established for each inspector, supervisor and division head and that each be held accountable for attaining them. In addition, we recommend that division heads prepare periodic performance reports, attend biweekly meetings with the Director, and prepare annual action plans. Also, the Director should conduct annual performance reviews of the division heads.

We also recommend the BSED conduct, at a minimum of once a year, periodic surveys to identify locations and update records for locations subject to periodic inspections, including rental properties and those requiring use licenses, and to update records based on the results. Records for properties subject to periodic inspection and use license should include location, when they were last inspected, name of inspector, name of supervisor, whether the inspection was passed or failed, violations cited, corrective action taken, date of inspection, date of violation notice, date notice sent, date corrected, certificate of inspection or use licenses billing number, billing date, date paid, certification number, and year certificate of inspection or use license expires. There should be a system for follow-up to ensure that violations are responded to appropriately. Use license records should include inspection dates, name of inspector, name of supervisor, whether the inspection was passed or failed, violations cited, corrective action taken, date of violation notice, date notice sent, date corrected, use license fee notice number, date of use license, amount paid, use license certification number, and year use license expires.

2. Need to Establish an Accounting Division and Improve Financial Information

BSED lacks an Accounting division and sufficient accounting support from the Finance Department. BSED accounting reports (e.g., Organization Responsibility Report) provided by DRMS have classification errors for expenses and may not be reliable in reporting expenses by organization code. Subsidiary ledgers are not maintained for accounts receivable and there are no periodic reports such as aged accounts receivable reports prepared. As a result, there is no assurance that BSED is effectively managing its financial operations and maximizing revenues.

A good system of internal control includes an effective accounting system and financial reporting. This would include accurate revenue and expense reports for all of the Department's cost centers and accounts receivable subsidiary ledgers and aging reports for each type of receivable. Aging reports measure the amount of time accounts receivable have gone uncollected providing a good performance indicator of collection success and efforts. A good accounting system would also include up-to-date inventories of property locations subject to periodic inspections, those requiring use licenses, and rental properties requiring annual rental registrations, each of which generates Departmental revenues.

BSED accounting reports are generated by the Detroit Resource Management System (DRMS) based on input provided by personnel of the Administration division and the Licenses and Permits division. We noted that BSED accounting reports for fiscal year 1999-2000 contained several errors and appeared unreliable for obtaining detailed expense information based on organization codes. The actual expenses for fiscal year 1999-2000 were not properly posted to the correct organization codes. For example, there were \$134,005 in salaries and fringe benefits charged to organization code 130042, but there was no such organization code authorized or budgeted. Also, there were several line items reported for the same object and organization with one line reporting budgeted expenses and the other line reporting the actual expenses. Normally, the budget and actual amounts are reported for the same line item and the difference shown as a budget variance. These errors are attributable to lack of accounting staff to input and maintain the financial data, lack of adequate accounting support from the Finance Department, and lack of BSED staff experience with the new system (DRMS).

BSED accounts receivable are not recorded in DRMS. BSED uses a strict cash basis to record revenues whereby revenues are not recorded until the payment is received. This reduces the accountability for the billings.

BSED lacks data to substantiate its total accounts receivable. BSED accounts receivable include open (unpaid) fee notices (use licenses), periodic inspection fees receivable, rental registration, and rental inspections. We estimate that at March 31, 2000, there were over \$10 million in accounts receivable due the Department based on data provided by the Information Technology Services (ITS) Department, License and Permits (L&P) division and estimates made by us for accounts receivable for which data was not available. BSED accounts receivable are considered delinquent when they are over one year old. Many of the accounts receivable were over several years old and are probably uncollectable. The L&P division does not maintain accounts receivable subsidiary ledgers for use license fee notices, periodic inspections, rental registrations,

and rental inspections, or report on them periodically. There is no aging of accounts receivable prepared.

Only five (i.e., for signs, awnings, elevators, hazardous gas, and liquefied petroleum gas) of the eight use license fee notices were prepared and accounted for on the Department's computer system (LPBS). Billings for the other three (i.e., for refrigeration systems, boilers, and pressure vessels) use license fee notices, periodic inspections and other billable inspections were prepared manually and accounted for on databases. The L&P division maintains a database for all billings with the exception of those on the License and Permits Billing System (LPBS). The Department does not receive a complete detailed listing of the accounts receivable maintained by LPBS from the City's ITS Department. The L&P division had performed audits (counting unpaid bills) of the manually prepared billings to determine the balance of accounts receivable, but the last audit was done for the period ended February 28, 1998. It appears there has been no accurate accounting for these accounts receivable since then.

Data was unavailable for rental registrations and rental inspections related accounts receivable under the old system. In addition, data on accounts receivable for periodic building inspections was not available. The L&P division has data on other receivables such as boiler use licenses, but does not report on them unless specifically requested. The lack of an aged accounts receivable history report deprives management of a tool to aid in its collection effort to reduce outstanding accounts receivable. For each type of fee notice issued (e.g., elevator use license) and periodic inspection billed (e.g., building annual inspection), BSED should account for the number billed, number paid, and balances due, and prepare an aging schedule.

The Department needs to: (1) perform a complete analysis of its accounts receivable and write-off uncollectible delinquent accounts so that accounts receivable will reflect a more accurate amount of collectible revenue; and (2) submit those open accounts receivable that are considered collectible to the City's Treasurer.

As noted in the previous finding, BSED lacks updated listings of commercial and rental properties for which City ordinances require periodic inspections and use licenses. Consequently, there is no assurance that all required inspections are taking place and that all required use licenses are being obtained. In accordance with City ordinances, BSED conducts and bills for periodic electrical, plumbing, and building inspections of commercial establishments. Also, in accordance with City ordinances, BSED issues use license fee notices to locations with signs, awnings, elevators, boilers, heating (certificate of use) and refrigeration equipment, pressure vessels, hazardous gas, and liquefied petroleum gas. As noted in finding four, not all use licenses and periodic inspections are properly billed. Some bills and fee notices were sent to locations that no longer existed. Periodic inspections were scheduled for properties that no longer existed or were out of business. Some fee notices did not include new equipment that was subject to a use license. Some bills and fee notices were sent to the wrong address. Some locations changed ownership. Some new commercial locations may not have inspections or be issued use licenses because they are unknown to BSED. Up-to-date inventories of properties would reduce the lost revenue and associated inspection and administrative costs, resulting from outdated scheduling and billing information.

As part of any good management information, BSED needs an effective accounting system that matches revenues and costs at every level or cost center, including housing, buildings, plumbing, electrical, heating, boilers, elevators, administration, licenses and

permits, plan review, nuisance abatement, repair to own, and administration. The Department has done a good job of organizing its budget and financial statements to report expenses in the divisional cost centers. However, most of the Department's revenues (e.g., permit, license and inspection fees) are reported in a single cost center. BSED needs to distribute revenues to the cost center that generates them. Also, the Department needs to break down cost information into more detailed cost centers (e.g., Mechanical into heating, boilers, and elevators). BSED would also benefit from inspectors accurately detailing the time spent on inspections so that costs can be analyzed per inspection. Detailed cost analysis needs to be performed to determine the effectiveness and performance of each cost center and to satisfy the accounting requirements placed on BSED by the State Construction Code Act (Public Act 245 of 1999). In addition, fees should be based on cost analysis to ensure all costs of the Department, including overhead, are covered. For purposes of cost analysis and fee determinations, expenses for cost centers such as the Licenses and Permits division and Administration division should be treated as overhead and allocated to the revenue producing divisions based on a measurable input such as inspector hours.

BSED is a large General Fund agency with appropriations of \$24.7 million budgeted in the fiscal year 2000-2001. The Department's accounting system and record keeping needs, in many respects, are similar to those of an enterprise fund or private business. This along with the revised State Construction Code Act necessitates that BSED establish an Accounting division. Most of the Department's accounting functions are currently included in the duties of clerical and administrative personnel. For example, a section in the Licenses and Permits division performs BSED's billing function and a section in the Administration division handles BSED's accounts payable.

Recommendation

We recommend BSED establish an Accounting division for the following reasons:

- To strengthen and improve the Department's controls over its financial operation;
- To enable the Department to address its accounting and financial reporting needs and requirements;
- To effectively account for all billable activities (e.g., periodic inspections) and properties requiring periodic inspections and use license renewals;
- To establish and maintain an effective accounts receivable system;
- To provide for adequate staffing (including number of personnel and skill sets) of BSED's accounting function;
- To provide for development of an adequate fee structure; and
- To address the accounting requirements of the State Construction Code Act.

In establishing an Accounting division, BSED should consider taking the following actions:

- a) Secure adequate staffing for the Accounting division.

- b) Transfer the responsibilities and personnel of the billing section of the Licenses and Permits division and the accounts payable section of the Administration division to the Accounting division.
- c) Utilize the Oracle Accounts Receivable system or acquire an automated accounts receivable system to process and account for fee notices and billings. This system should have the ability to prepare bills and aging reports.
- d) Perform cost and revenue analysis for major projects like the Casinos to determine whether costs are being covered. Smaller jobs should also be randomly reviewed to determine whether fees are sufficient to pay for the costs involved.
- e) Establish a building statistic section to provide statistics on construction (e.g., estimated costs for construction by type), permits, abandoned buildings, demolitions, residential and commercial structures in the City, rental property, new housing, elevators, furnaces, boilers, etc.

3. Need to Establish a Special Revenue Fund to Account for BSED Operations

Recent changes in State law require that local governmental building department (e.g., BSED) activities related to building, plumbing, electrical, and mechanical codes be accounted for as either a Special Revenue Fund or as an Enterprise Fund, if the intent of a building department's fee structure is to cover its costs.

Michigan Public Act 245 of 1999 amended the State Construction Code Act (Public Act 230 of 1972). Section 22 of this Act requires that the legislative bodies of the local government establish "reasonable fees" which "bear a reasonable relationship" to the cost of operating the enforcing agency. The statewide code applies to the plumbing, electrical, mechanical, and building codes. The Act states that the use of fees generated under this section can only be used for the operation of the enforcing agency, the construction board of appeals, or both and shall not be used for any other purpose.

The City has been accounting for BSED as a General Fund entity and the State Construction Code Act allows the City to maintain BSED as a General Fund entity if the fee structure is not intended to recover the full cost of the enforcing agency and the City has the ability to track the full costs and revenues of the activity without creating a separate fund. Certain activities of the Department such as zoning and court enforcement do not generate sufficient revenues to cover costs. If BSED is maintained as a General Fund entity, the annual financial statements must present schedules of BSED revenue and expenses including overhead. However, if the intent of BSED's fee structure is to cover its costs, Public Act 245 of 1999 requires these fees only be used for a specific purpose, and that a separate Special Revenue Fund (or Enterprise Fund) be established to account for BSED's enforcement activities.

The Act also states that fees are to be based on direct costs of the enforcing agency and the indirect cost of operations, known as overhead. Overhead costs will usually include common costs such as telephone service, building maintenance, utilities, general insurance, and office supplies. Other indirect costs may include the allocation of the cost of salaries and fringe benefits related to certain support activities, such as human resources and accounting staff (i.e., central staff services). BSED needs to consider setting fees to provide for sufficient staff, technical equipment, central staff services, and other needs that will ensure a competent building department.

Recommendation

If the intent of the City is to have the BSED's fees cover its costs, we recommend the City establish a Special Revenue Fund to account for BSED operations. In our opinion, BSED should recover the full cost of its operations, including the allocation of applicable central staff services, through its fee structure. We also believe accounting for BSED, as a Special Revenue Fund, would be in the best interest of the City. As a Special Revenue Fund, BSED would be able to better account for its operations and the public would be assured that fees bear a reasonable relationship to its costs.

4. Need to Effectively Account for and Properly Bill All Use Licenses and Periodic Inspections

BSED has not effectively accounted for and properly billed all use licenses, periodic inspections, and other inspections (e.g. complaint inspections). This has resulted in lost revenue to the City. We estimate BSED has lost over one-half million dollars in revenue per year for the past four years because of poor record keeping and billing practices.

The billing problems, if allowed to persist, may prevent the Department from achieving its goal to operate the department in a financially responsible manner to provide for a lower cost of government and pass efficiencies along to customers.

Various City ordinances require use licenses for signs, awnings, elevators, boilers, heating and refrigeration equipment, pressure vessels, hazardous gas, and liquefied petroleum gas. For example, Ordinance No. 390-H, Chapter 40, Article 7, Section 701.5 requires use licenses for refrigeration systems. It states that "No person shall use or cause to be used any refrigerating system or compressor unit which is subject to biennial inspections under the provisions of this ordinance without first securing a license for such use from the department. This license, in the case of equipment installed under current installation permit requirements and not previously inspected by the department, will be issued by the department without charge after inspection and approval of the equipment." Section 701.7 establishes the renewal requirements for refrigeration system use licenses. It states that "use licenses and certificates of use shall be renewed biennially on the date established by the department after payment of a fee as provided in Section 701.9."

City ordinances also require periodic inspections by the Building, Housing, Plumbing, Mechanical, and Electrical divisions. For example, Ordinance 290-H, Section 12-11-9.2 states "The director shall cause to be inspected from time to time and as nearly as possible, once a year all buildings of public assembly, school buildings, halls, armories, theatres, buildings used for manufacturing and commercial purposes, hotels, hospitals, apartment houses, rooming houses, buildings and structures used for lumber yards, general storage yards and railroad yard facilities, and all other buildings occupied or used by large numbers of persons or which may constitute a hazard to life and property; and wharves, fences, billboards, signs and other structures, for the purpose of ascertaining the safety thereof. After inspection of any such building or structure the Division of Licenses and Permits of the BSED shall issue to the owner or his agent a certificate of inspection upon payment of the prescribed fee. The amount of which shall be established by the Board of Rules of the Department and shall cover the cost of inspection and supervision. It shall be the duty of the owner or his agent to place and maintain such certificate of inspection in a conspicuous place on the premises."

The Department bills and collects the fees generated by the issuance of licenses and the performance of periodic inspections required by these various City ordinances. The paragraphs, which follow, discuss our findings related to the Department's billing procedures and processes.

Manual billings are generated for commercial building, heating, electrical, and plumbing inspections. According to the Director, the Housing division no longer bills for rental inspections, but generates applications for rental registration and certificate of rental

inspection, which require the prepayment of rental registration and inspection fees. The Plumbing division is responsible for manually preparing the billings for the periodic inspections that their division conducts. The License and Permits division manually prepares the billings for the periodic inspections that the Building and Mechanical divisions conduct. Manual billings for use licenses are generated for commercial boilers, refrigeration equipment, and pressure vessels, while an automated system is used to generate sign, awning, hazardous gas, liquid petroleum, and elevator use license billings. Use license fee billings are based upon cards that are maintained manually by the responsible divisions (e.g., elevators by the Mechanical division). The cards are supposed to be updated for new equipment, address and ownership changes, property taken out of use, billings, collections, and inspections. The cards are submitted to the License and Permits division, which uses them to prepare the use license bills (fee notices). Billings include current and any delinquent balances owing.

A satisfactory billing control system includes:

1. The sequential numbering of documents to insure that all authorized transactions are fully processed; i.e., a system set-up to assure that all cards and inspection documentation used for the billing process are fully processed and accounted for.
2. The complete documentation of the transaction process including detailed billing and accounts receivable documentation and providing aging schedules.
3. Developing plans that are compatible with the City's objectives, i.e., assuring that there is adequate staff to perform a timely billing function.

Our review of the Department's billing procedures and processes disclosed the following:

- (a) Use license fee notices, periodic inspection billings, and other inspection billings are not always prepared or issued in a timely manner.
- (b) Not all items (e.g., elevators) subject to use license fees are included in the fee notices.
- (c) There were many billing errors including incorrect addresses, incorrect owner names, and fee notices for equipment that was no longer in use.
- (d) As mentioned in finding two, the Department does not maintain subsidiary ledgers or aged data for all of its accounts receivable.
- (e) Lack of numerical (accountability) control over inspection and use license documentation and billings.

Refrigeration, pressure vessel, boiler, sign, and elevator use licenses were not billed on a timely basis. Refrigeration and pressure vessels use licenses, which are issued biennially, were not billed in 1998 as required. Also, it appears refrigeration and pressure vessels use licenses, were not billed in 1996, as revenues were negligible. The use licenses, which were not billed in 1998, are being billed in 2000, along with the year 2000 use licenses. In the most recent biennial billings for which there is revenue data (fiscal years 1989-90 and 1990-91), BSED collected nearly \$200,000 for pressure

vessels use licenses and over \$850,000 for refrigeration use licenses. We could not find documentation to support use license billings in 1999 for 15 of 32 boilers, 14 of 46 signs, and 9 of 15 elevators that we reviewed. In 1998, BSED billed three years (1996, 1997 and 1998) for boiler use licenses because it failed to bill for these annual licenses in 1996 and 1997.

License and Permit division staff told us that refrigeration licenses, totaling \$1.7 million, were billed in March 2000, and included about \$527 thousand for the billing cycle missed in 1998. A total of \$318,718 (or 18%) was collected through May 2000, and a total of \$133,778 was cancelled for locations no longer in use, razed, or out-of-business accounts.

Also, there are inconsistencies in billing periodic inspections. Some BSED divisions bill when the inspection is made, and some do not bill until all of the noted violations are corrected. The Electrical and Plumbing divisions do not bill for periodic inspections until all violations are corrected. The bills are based on the number of hours the inspector spends on the inspections and are not prepared until all the needed follow-up inspections are completed. We noted several annual electrical inspections performed in 1996, that were not billed until 1999, after the violations were corrected. The Plumbing division's periodic inspection billings were untimely for 8 of the 15 inspections we reviewed. We noted several plumbing inspections performed in 1997 that were not billed until 1999.

We noted some annual building inspections were either not billed or billed on an untimely basis. We could not find any billings for five annual building inspections performed by BSED. Another building inspection conducted in March 1998 was not billed until November 1999.

Not all property requiring use licenses were billed. We noted new elevators, signs, and boilers with expired use licenses from the original permits that were due for renewal, but were never billed. The Department acknowledged that new elevators were not being added to its records for several years. We noted expired use licenses from four sign permits and three boiler permits that were due for use license renewal, but were not billed. We noted six locations billed for elevator use licenses that did not include all of the freight, passenger and dumbwaiter elevators at the location. We also noted several locations had additional boilers that were not billed.

The Department is taking corrective action to update use license records. During the audit, BSED boiler inspectors found hundreds of pressure vessels at a large industrial company and added them to the use license cards. Also, the elevator use license cards and License and Permits Billing System records were updated for new elevators and corrections.

There were many billing errors that resulted in lost revenue because BSED did not adequately follow-up to correct the billings and rebill them. Some fee notices did not include new equipment that was subject to a use license. Some bills and fee notices were sent to the wrong address. Some locations changed ownership. Some new commercial locations may not have inspections or be issued use licenses because they are unknown to BSED. In addition, some bills and fee notices were sent to locations that no longer existed.

Cards maintained by various BSED divisions for preparing use license bills were not always properly maintained. There was a large number of refrigeration equipment items not added to the use license cards. We observed cards and billings for properties that were razed or vacant. We observed 11 of 12 boiler cards that were not updated with the current use license charges. Elevator cards were not updated for the annual use license charges and payments of the past three years. Heating cards were not always updated for billings and payments. There is no restricted access to the cards in the divisions, which could result in missing cards and billings. BSED also has no control mechanism or updated inventory list of cards to ensure that all use license bills are prepared and mailed. Many of the Building division's cards were not updated for new construction. We could not find building cards, inspections, or files for 4 of 9 stores in a strip mall. An inspection was performed for each of the 5 stores that had cards, but there was no inspection documented, or file prepared, for those 4 stores without cards. The Department's inspector should have noted the other 4 stores, and updated the Building division's records to ensure performance of an annual inspection of them.

We were told that mechanical inspectors (e.g., refrigeration) do not always check to ensure that property at a location subject to a use license has a current license posted. Inspectors should be required to check that valid use licenses are posted, and issue violation notices requiring the owner to obtain a valid use license when they are not posted. Inspectors also need to determine that a use license card has been prepared for each location required to have a use license.

There was a lack of communication between the Licenses and Permits division and the Mechanical division. Mechanical inspectors noted on inspection reports for some properties, which formerly required use licenses, that they were out of use or the building was vacant, and the inspections were discontinued. However, the Mechanical division never informed the Licenses and Permits division, and billings for the use licenses continued. We also noted that addresses were corrected on violation notices by inspectors, but the new address information was not passed along to the Licenses and Permits division. In the past, BSED had routing slips that passed information about new equipment requiring use licenses, demolitions, change in owners and addresses, and other information to all divisions, so each division could update its records. Somehow this practice was lost.

Certain inspection and use license billings are accomplished manually by relying on card files. There is no numerical (accountability) control over these card files. Without some type of control over these billing cards, the Department would not know if certain cards were removed from their respective files.

Billings for periodic inspections are generated only from the documentation that results from actual inspection activity. There is no numerical (accountability) control over this inspection driven documentation. As such, billing personnel have no way to determine whether they receive all of the inspection documentation necessary for billing purposes. Consequently, there is no assurance that all periodic inspections are billed.

The process of billing use licenses occurs only once a year, which can create a great deal of work at one time. Spreading the process out during the year would even out the workload. City ordinances allow BSED to set the date for billing the use licenses.

There is a lack of Information Technology Services Department (ITS) and Finance Department support for BSED, resulting in billing and control problems. The lack of

professional information technology specialists and accounting staff to implement and maintain databases and accounting systems contribute to the billing problems. BSED had a supervisor of boiler inspectors, a court enforcement inspector (Mechanical), and a court enforcement supervisor (Housing) develop and maintain databases and accounting systems for billings. They developed good systems and should be commended for their efforts. However, they lacked expertise and time to properly develop and maintain the billing systems. BSED has filled the Department's Information Technology Manager position, which should improve the Department's information systems, but there is still a need for greater support from ITS. As noted in the finding two, there is a need for an Accounting division and several accounting positions to maintain billing and accounting systems.

We were told that turnover of clerical staff, at times, results in fewer experienced personnel to process billings, which also contributes to BSED's billing problems.

The Department is currently taking steps to improve its billing practices by billing for those use licenses not billed, updating records for new equipment and other items requiring use licenses, implementing procedures to bill for overtime inspections on permits, and correcting addresses and owners on invoices.

Recommendation

To improve BSED's ability to account for and bill all use licenses and periodic inspections, we recommend the following:

- (a) As noted in finding two, BSED should update inventories of properties subject to periodic inspections and those requiring use licenses to provide an adequate control mechanism for determining that all inspections are performed and billed and all use licenses are issued and billed.
- (b) BSED should work expeditiously toward the complete computerization of all billings to make accountability of billings reliable, timely, and complete. We recommend BSED use the Oracle accounts receivable module for billings or acquire a suitable system.
- (c) Management of each BSED division should be held accountable for billing all use licenses, periodic inspections, and other billable inspections in a timely manner, and for properly updating the related records that establish accountability.
- (d) BSED should implement batch and numerical control over both the billing cards and inspection documentation used for billing, including the documentation used to set up the manual billing cards and the computerized billing accounts. Each division should check the actual number of billings with its control totals to ensure all bills were prepared, and BSED should periodically reconcile the control totals with the number of inspection billings prepared and issued.
- (e) BSED should adopt a system to ensure that all new equipment and items subject to use licenses are added to the billing cards and billed in accordance with use license ordinances.

- (f) On all inspections, Inspectors should be required to verify that properties requiring use licenses have a valid license posted, and to issue violations for those without valid licenses.
- (g) As noted in finding two, BSED should establish an Accounting division, which would be responsible for the billing process.
- (h) Routing slips or e-mail should be used to exchange information applicable to more than one division, so each division can update its records.
- (i) BSED should bill use licenses in cycles to spread out the workload. For example, elevator use licenses could be billed quarterly, in March, June, September, and December. The annual elevator use licenses billing cycle would be determined by the permit issue date and the use licenses would be billed in the cycle after the permit issue date.

5. Need to Improve Rental Housing Registration and Inspection System

BSED Housing division's system for scheduling the annual inspections and collecting the fees for the inspections and the annual registrations related to rented housing units is in need of improvement. There are problems with the system, resulting in BSED not maximizing inspection and registration revenues. In addition, not all rental properties are included in the system and there is no assurance that they will be registered and inspected as required by City Code.

The problems could prevent the Department from achieving its goal to operate the department in a financially responsible manner, to provide for a lower cost of government, and pass efficiencies along to customers.

The Detroit City Code, Section 26-5-42.5, paragraph (a), requires that "The owners of a dwelling or part of a dwelling containing units which are occupied by persons pursuant to an oral or written agreement for monetary compensation or which will be offered for occupancy under an oral or written rental agreement for monetary compensation, shall register such dwelling or parts thereof with the Buildings and Safety Engineering Department and obtain a certificate of registration as provided herein." Paragraph (b) requires that "After receipt of the application the Department shall issue to the owner or his agent a certificate of registration upon payment of the prescribed fee, the amount of which shall be established by the board of rules of the Department." Paragraph (c) requires that "Certificate of Registration shall be renewed annually on the date established by the Department and posted in a conspicuous place on the premises. The Department shall maintain a registry of owners and dwellings governed by this section."

The Detroit City Code Section, 26-5-43, paragraph (a) requires " After registration and upon payment of the prescribed fee, the enforcing officer shall cause an inspection, as nearly as possible once a year, to be made of any dwelling unit or part thereof that has been or will be occupied by persons other than the owner and the owner's immediate family for more than six (6) consecutive months in the preceding twelve (12) and is occupied pursuant to an oral or written rental agreement for monetary compensation. The purpose of such an inspection shall be to ascertain the safe, sanitary, and habitable conditions thereof including a thorough examination of all parts of the dwelling unit and the premises connected therewith. The fee for such inspection shall be established by the board of rules of the Department and shall cover the cost of the inspection and its subsequent supervision. The enforcing officer is also hereby empowered to make similar inspections of all dwellings as frequently as may be necessary. Such inspections shall note all violations, and shall separately indicate "major violations" as defined in section 26-5-49."

In the fiscal year 1998-1999, the BSED Housing division in an attempt to improve the number of rental registrations and inspections established an automated prepaid system for rental registrations (a \$9 fee for a single unit) and inspections (a \$72 fee for a single unit). According to the Director, technically BSED no longer bills for rental inspections, as it did in the past. Applications for Rental Registration and Certificate of Housing Inspection are mailed to rental owners listed on the Housing division's database (i.e., Registry of Rental Properties) informing them of City ordinance (3-91) which requires them to obtain a Certificate of Rental Registration and a Certificate of Housing Inspection. Owners of rented housing units are required to: fill out the application; remit a payment for the registration, inspection and any delinquent fees; and provide a date

preferred for inspection. In accordance with the City Code the Department will not conduct an inspection if the application and payment are not returned. The Department relies upon voluntary compliance by rental owners to (1) respond to the applications sent out for known rental properties and (2) register the rental properties that are not known to the Department. As a result, rental registrations, inspections, and associated revenues may not be maximized if rental owners choose not to comply with the City Code.

Our review of the Department's rental registration and inspection system disclosed the following:

- (a) Not all rental property accounts were in the system at the time of our review.
- (b) Lack of a complete and accurate inventory (registry) of rental property, specifically single-family homes.
- (c) In fiscal year 1998-99, 6,481 or 26% of the estimated 25,000 rental registration property owners paid the required annual rental registration fee.
- (d) Annual rental inspections were 8,813, or 35%, of the estimated number of rental properties located in the City in the fiscal year 1998-99.
- (e) Many rental property owners do not respond in a satisfactory manner to the applications sent to them for rental registration and inspection.
- (f) Many of the applications were sent back by the post office as undeliverable because the property no longer exists or owners and addresses were incorrect.
- (g) Delinquent balances from BSED's old system are not always included on the applications with the fees required to be paid.
- (h) Partial payments cannot be recorded in the system, and inspections were not scheduled for the rental properties for which the owners did not pay the full amount noted on the application.
- (i) Complaint inspections performed by BSED were not always billed for those not responding to the applications.
- (j) There was lack of follow-up (e.g., phone calls, violation notices, etc.) on unreturned applications.
- (k) The new system is not generating reports, such as an aging report, that would readily track the applications that have not been returned and the amount of unpaid fees.
- (l) Lack of communication between the Buildings division and the Housing division regarding the demolition of properties.

A large number of rental properties were not input into the system at the time of our review. As a result, applications for rental inspections and rental registrations were not prepared or mailed for many rental properties. We found 92 (76%) of the 121 rental property records we reviewed in BSED's database. Housing division management acknowledged that not all the rental properties were included in the system.

The Department lacks a complete and accurate inventory of rental property and cannot account for all the single-family rental property in the City. The Department's Director said that there are a large number (total is unknown) of single-family rental properties in the City. They are difficult to inventory, identify owners and their addresses, and track for inspection and registration. Rental owners and addresses change constantly resulting in returned applications. Single-family houses change status from owner-occupied to rental and back. Also, many become abandoned. Many rental owners are unaware of the requirement to register their rental properties. The Director said the Department does not have the resources necessary to enforce the requirements for rental registration and inspection for all the single-family residences in the City.

One method available for discovering rental properties in the City is to utilize the City Assessor's database to identify owner addresses that differ from the subject property address or have a homestead percent of "zero". A different owner address or homestead percent of "zero" would be an indicator that the subject property is rented.

The BSED Director estimates that there are 25,000 rental properties (including single-family and multi-family), or 8% of the estimated 300,000 residential properties in the City. In our opinion, this estimate is low based on the 1990 census which reported that 43%, or 176,128 of the 410,027 housing units (note that there may be more than one housing unit per rental property) in the City were renter occupied.

In the fiscal year 1998-99, BSED received \$61,716 in rental registration revenue from 6,481, or 26% of the estimated number of rental owners, whereas it would have received over \$200,000 in revenue if all of the estimated 25,000 owners had paid.

The number of annual rental inspections performed in the fiscal year 1998-99, totaled 8,813, or 35% of the estimated number of rental properties. Inspection revenue totaled \$1.1 million in 1998-99.

Very few rental owners are responding to the applications sent to them. A total of 63 (68%) of the 92 applications we reviewed for rental registration and inspection were unpaid. As noted below, partial payments were not posted to the system, and some of the applications for which we could not find payment may have been partially paid.

Many of the owners and addresses recorded in the BSED Housing division's database were incorrect. We found 12 locations that had been razed or were abandoned properties. We found 39 (32%) of 121 addresses or owners in BSED's database were different from the address or owner included in the City Assessor's database. BSED utilizes the Assessor's database to check addresses. However, we also observed that the Assessor's information was not always correct (e.g., some properties were razed but shown as existing). Housing division staff told us that approximately 10,000 applications mailed in the fiscal year 1999-2000 were returned, and that very few inspections were being generated. The BSED Director said a principal reason for the large number of returned applications was that an outdated registry of rental properties containing many

wrong addresses, vacant or demolished properties, or locations which were no longer rental properties, was used as a data source for BSED's new system.

The new system cannot apply partial payments. Housing division staff told us there were 700 partial payments not posted at the time of our review. We were also told that delinquent fees were not always added to the rental applications, resulting in the understatement of amounts due. The Licenses and Permits division applies payments to delinquent balances first. Any remaining amount is recognized as a partial payment, so the system does not accept it. As a result, not all payments received are posted to the system. The Housing division does not schedule annual inspections for rental properties that have not returned applications and paid the required fees in full.

We noted fourteen complaint inspections that were not billed, even though the inspections resulted in the issuance of violation notices. We were told that it was Department policy not to bill when the rental owner was delinquent on past invoices or had not paid the fee notice for rental inspection.

We were told that the Department's policy was to follow-up after sixty days with a violation notice, if there has been no response by the rental property owner to the applications sent for rental registration and inspection. However, our review indicates this policy is not followed. There was no documentation to support any follow-up, such as phone calls or violation notices, to rental owners who do not respond within sixty days of the date of the application.

The new system is not generating reports such as an aging report to track the applications that have not been returned and the amount of unpaid fees. Consequently, the Department is unable to readily determine the number of applications not returned, the amount of unpaid fees for rental registrations and rental inspections, or the number of applications mailed.

We observed several applications were mailed for demolished properties and properties for which demolition permits were issued. This indicates a lack of communication between BSED divisions. The Housing division should be provided with information on demolition permits issued for rental property by the Buildings division.

A partial cause for the problems with the Housing division's system for rental registration and inspections is the lack of professional staff such as accountants and systems analysts (i.e., information technology specialists) to establish and maintain an effective database and reports. As noted in the previous finding, BSED is not receiving sufficient support from the ITS Department and the Finance Department. BSED is relying on inspection staff who lack the technical and accounting skills and experience needed to create and maintain database systems.

Recommendation

To address the problems and issues disclosed by our review of the Department's processes and procedures related to rental housing registration and inspection, we recommend BSED take the actions necessary to:

- (a) Input all rental property accounts immediately, maintain an accurate registry of all rental properties and owners, and ensure all addresses and owner names are correct in the system, and constantly update the system for all changes (e.g., deletion of properties that have been demolished).

- (b) Hold Housing division management accountable for mailing applications for all (100%) rental registrations and rental inspections to rental owners on the registry, and also for following-up to ensure completed registrations and inspections are paid for.
- (c) Include unpaid delinquent rental registration and rental inspection invoices, not yet recorded in the system, on the applications.
- (d) Correct the new system to allow the posting of partial payments.
- (e) Bill for all complaint inspections that result in a violation notice.
- (f) Ensure all applications for Rental Registration and Certificate of Housing Inspection are accounted for. The Housing division needs to follow-up on all unreturned applications and unpaid fees with a violation notice or phone call. Housing inspectors should be required to check for unreturned applications and take copies of them to rental owners when they do complaint inspections. Inspectors should also verify owner names and addresses on applications when they do an inspection.
- (g) Generate periodic reports (e.g., monthly aging reports) from the new system to provide BSED management with timely information on unreturned applications and unpaid fees.
- (h) Work with the City Assessor's Office and its database to identify rental housing properties and to obtain updated information when owners and owners' addresses change.
- (i) Improve communications between the Buildings division and the Housing division regarding identification of properties scheduled for demolition.

6. Need to Improve Enforcement of Ordinances and Codes

BSED's enforcement of City ordinances and codes has been weak. Inspections are not always performed when the permit holder or owner does not call for inspection. Many violations of City ordinances and codes are not corrected because violators are not always held accountable and/or prosecuted by BSED. Without strong enforcement, there is no assurance that City codes and ordinances will be complied with. As a result, public safety could be compromised and the City's exposure to liability increased. In addition, many buildings in the City face serious challenges to become code compliant and are a blight to the City, which results in reduced property values, and decrease in property taxes to the City.

Ineffective enforcement of City ordinances and codes could prevent the Department from achieving its goals to: (1) ensure the safe design and construction of buildings and installation of components by enforcing current nationally recognized codes as established by ordinance; (2) maintain the stability and safety of neighborhoods by enforcing the property maintenance code and other related ordinances; (3) ensure peace and safety of the public by enforcing zoning codes, conditions and other relevant regulations; and (4) build and maintain a high-performance organization that is the Department sought by employees to work in and results in national, state and local respect for the skills and expertise of the employees.

The City of Detroit Code, Article 7, Chapter 4, Section 7-401 states "The building department shall administer and enforce all laws, ordinances and regulations relating to the use of land (zoning)." BSED has quasi-police powers for enforcing various ordinances and codes under its jurisdiction. These ordinances provide for the health, safety, and welfare of the people.

The Department's enforcement activities of ordinances and codes include performing inspections (i.e., permit, periodic, rental, general license, complaint, and other), issuing violation notices, writing tickets, conducting show-cause hearings, and initiating court actions. Permit inspections are performed to ensure that permitted work and equipment installed are in conformance with permits, plans, and applicable ordinances and codes. Periodic and complaint inspections are performed to ensure compliance with ordinances and codes is maintained. Inspections that result in findings of noncompliance with ordinances and codes, will result in the issuance to the responsible party of a violation notice with a correction due date. Ordinance Number 290-H, Section 12-11-26 specifies the procedures for violations. If a violation is not corrected by the due date, the Department's policy is to issue a ticket, which is prosecuted in the Traffic and Ordinance Division of the 36th District Court, and could result in a fine up to \$500 and/or 90 days in jail for the responsible party. The Department also has a process called show-cause hearings that allow violators to resolve violations and avoid being prosecuted in court. The Department has Court Enforcement sections in the Housing, Building, and Mechanical divisions that are responsible for ensuring correction of violations through owner identification procedures and issuance of tickets that could result in arraignment and sentencing of violators. The Department also is authorized by ordinance to staff a Zoning Enforcement unit to enforce the zoning ordinance through the issuance of Municipal Civil Infraction violation notices and citations, and to accept admissions of responsibility and payment of civil fines for those violations.

The Department does recognize that improvement of enforcement is necessary and is taking steps, such as making the Zoning Enforcement unit operational to improve

enforcement. The Mayor's Neighborhood Stabilization and Improvement Initiative will also focus on improving enforcement of City codes and ordinances. The Department is also planning on doubling the size of its Housing division Court Enforcement section, from five to ten personnel in the fiscal year 2000-2001.

In its Planning for the Future section, submitted with its budget requests for the fiscal year 2000-2001 the Department stated "Increased building code enforcement is a major service component of neighborhood stabilization. Lack of staff in the past resulted in passive enforcement (based on complaints only) and as a result many properties face serious challenges to become code-compliant. Effective code enforcement programs will take several years to bring about a community mindset that code compliance is not a choice and also to allow property owners the financial resources and time that will be required for necessary upgrades. The code enforcement programs planned for this fiscal year must be followed with increasing stringent programs in following years."

Our review of the Department's enforcement of City ordinances and codes disclosed the following weaknesses:

- A) Inspections are not always scheduled and performed for all permit work. Also, periodic inspections, including rental inspections, are not always performed. Contractors do not always schedule permit inspections or advise their customers that an inspection is required, and are not being held accountable by BSED.
- B) Violations cited on inspections are not always documented as corrected.
- C) BSED needs to improve follow-up to ensure inspections are scheduled and violations are corrected.
- D) Permits are not always obtained for work requiring a permit.
- E) The Zoning Enforcement division was not fully operational at the time of our audit.
- F) There is a lack of management information reports and accountability for BSED enforcement operations.
- G) Some inspection time was spent on unproductive calls where the inspector could not gain access to perform the inspection (e.g., homeowner was not home to allow entrance for the inspection), access was not allowed, or buildings were vacant or razed. A call to the inspection location, prior to the inspection, to schedule or verify that someone would be available to allow the inspector access to perform the inspection would reduce the number of unproductive calls.
- H) Numerous referrals from presale inspections by the Housing division to the Mechanical division to perform separate heating inspections, as part of the presale inspection process, reduces the availability of heating inspectors to perform other (e.g., permit inspections) revenue generating and required inspections.
- I) Many inspector positions are vacant.

- J) Housing rental inspections and the related revenue are not maximized.
- K) Violation notices are not always issued in a timely manner.

BSED is not performing all of the required permit, periodic, rental, and other inspections or the reinspections of violations cited. There are tubs and files in each division with thousands of open permits and violation notices where no inspection or follow-up has been documented. Some of the permits and violation notices date back to the early 1990s. There is a tremendous amount of inspections required, however, BSED lacks the system, efficiencies, and inspection staff to conduct all of the inspections required. Also, the recent increase in the number of permits and requirements for permit inspections in the City have diverted inspectors from other inspections, such as periodic and general license inspections. Large permitted projects like the stadiums, casinos, and Renaissance Center renovations presented unique inspection challenges and required much inspector time. The Department's Director said that inspections are prioritized on an informal basis and that permit inspections, especially those which involve structural work that could potentially pose the greatest danger to public safety, have the highest priority.

The responsibility, for scheduling inspections rests with the permit holder, as provided for in Section 12-11-14.3 of City Ordinance 290-H. If a permit holder does not call for an inspection, then most likely an inspection will never be done. Many permit holders are not calling for inspections or reinspections for violations, especially for residential work. Contractors are not advising the homeowners to call to schedule an inspection for residential permits, such as new furnaces, air conditioners, windows, roofs, toilets, garages, electrical, hot water heaters, etc. Permit holders need to be held accountable for calling for inspections.

With the growth of development in the City, significant enforcement responsibilities and a lack of inspectors, BSED needs to respond to the higher priority inspections. For example, the two casinos were large electrical installations (e.g., large number of slot machines) that required a significant amount of electrical inspection time, which set back electrical inspections in other areas (e.g., periodic and lower priority permit inspections). A Departmental representative said that the Buildings division cut the number of periodic (annual) inspections performed because of the large number of permit inspections and other requirements that had more priority in the Buildings division.

The Department needs improvement in following-up to ensure inspections are scheduled and violations are corrected. We observed many permits over six months from the date of issue, which had not documented an inspection or any follow-up such as a violation notice for not scheduling an inspection. Permits are invalid if the authorized work is not commenced within six months of the date of issue and new permits are required for any work that will be done after that (per City Ordinance 290-H Section 12-11-17.2). In addition, we observed many violation notices over six months past the notice date, and well past the correction due date, that lacked documentation of compliance, reinspection, or any follow-up, such as a warning letter that court action would be taken for noncompliance. City Ordinance 290-H, Section 12-11-26.3 specifies that "The total elapsed time from issuance of the notice of violation or order to the institution of appropriate proceedings at law (i.e., prosecution in the 36th District Court) or in equity shall not exceed six (6) months unless pursuant to a special extension granted by the department under special extension guidelines promulgated by the department."

An example of the lack of follow-up on violations are those issued by the Heating section of the Mechanical division. We noted many heating violation notices filed by the correction due date that were over a year past the correction due date with no documentation of compliance, reinspection, or any follow-up. We observed fifteen violations in the Heating section weekly file for January 1998 that had no documentation of compliance or any follow-up and appeared to be noncomplied, as of February 2000. Also, while these represent a small portion of the total permits issued, we observed five locations with heating violations that were issued during the period from 1993 to 1996, where there was no documentation of compliance, reinspection, or any follow-up.

Another example of the need to follow-up on violations were those issued by the Housing division. We reviewed 49 rental property locations that had a total of 775 violations cited and documented, which were still pending in March 2000. Only 3 of the 49 locations were documented as fully complied and another 3 were partially complied. A total of 5 of the other 43 were being processed for court. The remaining 38 properties had violations past the correction due date and had no evidence of compliance. There were also 18 of the 49 locations with emergency violations, and only one was documented as partially corrected. The rest were documented as pending (i.e., noncomplied) past the correction due date. The Property Maintenance Code was repealed through an adverse court decision in 1999, which, according to Department representatives, was a serious setback and negatively impacted Housing division enforcement efforts in fiscal year 1999-2000.

Other cities focus more efforts on enforcement and education. Minneapolis reinspects for compliance on the correction due date, unlike Detroit that waits for the violator to schedule an inspection. Milwaukee, Minneapolis, and Chicago also have renter and landlord educational programs, whereas Detroit does not.

A Departmental representative told us that BSED lacked the enforcement staff to follow-up on all violations and the process to take a violation case to court is time consuming. Another Departmental representative told us that very few noncomplied violations of City ordinances and codes are prosecuted in the 36th District Courts because of the limited amount of court time available for BSED related actions. Court inspectors are required to perform reinspections of all violations to determine if violations still exist, and find an owner's name and address and serve notice to the owner for each uncorrected violation, which can be a lengthy process. Representatives of the Department told us that they concentrate on following-up on serious violations, which pose a threat to the public health and safety, and less serious violations are not followed up on.

There is much residential work done in the City without permits. We observed eleven residential properties that had building alterations such as new roofs, windows, siding, and additions and found permits for only two of the eleven properties. BSED staff told us that there is much work done in the City where permits are not obtained.

BSED licenses, permits, and inspections provide the public with some assurance that structures and their components will meet the minimum code standards and will be safe for public use. When permits are not obtained, there is no assurance that codes are met and structures and their components will be safe for public use.

We reviewed six refrigeration violations found during routine biennial (i.e., periodic) inspections in 1998 by Mechanical division inspectors. Five of the six violations were for

not obtaining a refrigeration installation permit. The Mechanical division had not created any files or cards for four of the violations and there was no documentation at the time of our review of any compliance, reinspection, or any other follow-up, such as a second notice to determine whether the violations were corrected. This demonstrates the importance of performing periodic inspections to identify violations, such as not obtaining permits, but it also demonstrates the inability to enforce ordinances by not following-up to ensure full compliance.

BSED had not fully staffed the Zoning Enforcement division at the time of our review. Plans were to staff it and make it operational by July 1, 2000. As of August 30, 2000, it was partially operational. We were told that the delay in filling zoning inspector positions for this division was due to arbitration with the union, which may impact on these positions. Positions have been budgeted for this division since July 1, 1997. This division, when fully operational, is intended to improve zoning enforcement significantly.

As noted in our first finding, BSED lacks detailed reports on the number and types of inspections, violations, and court cases. In addition, BSED has not established formal detailed performance measures and targets for inspectors, supervisors, and division chiefs for purposes of accountability. Consequently, we could not adequately (i.e., quantitatively) measure the performance of BSED enforcement operations. Also, without an effective management information system and accountability, BSED management lacks the tools necessary to effectively manage the enforcement operations and evaluate performance.

A Departmental representative said BSED is launching a code enforcement program. A notice will go out when violations are uncorrected and expire. The notice will detail the consequences for noncompliance, including the possibility of imprisonment for second offenses. Violation notices will be tracked by the new Tidemark system. Also, when permits exceed 180 days the new system will trigger a notice that no inspection has been done.

BSED needs to reduce unproductive inspector calls. There are a number of inspections attempted that are not conducted because inspectors cannot gain access to a property, or the property has been vacated or razed. We could not determine the number of unproductive calls because the Department does not compile and report them. Presently, inspectors do not have cellular phones and cannot conveniently call ahead to ensure that someone will be there at the next inspection site to permit access. Many cities provide cellular phones to their inspectors.

Heating inspectors perform a large number of presale heating inspections referred by the Housing division. The presale inspection fee is not adjusted for the heating inspector's time. As a result, heating inspectors have less time to perform periodic heating and other inspections (e.g., permit inspections) and the revenue generated by their services is lessened. In the fiscal year 2000-2001, the Department's budget included funds to provide housing inspectors with carbon monoxide test equipment, which should reduce the number of presale heating inspections performed by the heating inspectors.

As noted in finding twelve, BSED has many vacant inspector positions. It is experiencing recruiting difficulties. The healthy local economy is also making it difficult to recruit inspectors. On September 1, 2000, there were 8 electrical inspector vacancies of 22 positions budgeted, 9 plumbing vacancies of 22 budgeted, and 21 housing

inspector vacancies of 53 budgeted. The shortage of inspectors contributes to BSED's inability to conduct all the inspections required. For example, presale housing inspections were being held up by the lack of electrical inspectors.

Many inspections of rented housing units are not performed because of the low response by owners of rented property to BSED's system for scheduling inspections, as noted in finding five, and repeal of the property maintenance code. Rental properties, which are not in BSED's system, will not be scheduled for an inspection. Also, rental owners making partial payments will not be scheduled for an annual inspection.

Violation notices are not always issued in a timely manner. For example, a building inspection took place on July 15, 1998, but the related violation notice was dated January 29, 1999, and was taken to court in February 2000. While many emergency violations are sent out in a timely manner, we noted an emergency violation notice for an apartment complex that was mailed on August 28, 1999, six months after the inspection date of February 16, 1999. Emergency violations are supposed to be corrected immediately within three days of the inspection.

Recommendation

We recommend that BSED take the following actions to improve enforcement of City ordinances and codes:

- (a) Establish a procedure to notify unresponsive permit holders and owners of rental housing after a reasonable period of time has elapsed since the issuance of a permit or violation notice issuance to arrange for an initial inspection or reinspection appointment. They should be fined, if necessary, for not scheduling inspections.
- (b) Establish a management information system, which accounts for and facilitates management of enforcement activities. BSED needs to track the number of inspections, violations issued, violations complied, violations not complied (aged by the correction due date), number of show-cause hearings, and other relevant data concerning enforcement.
- (c) Continue efforts to fully staff the Zoning Enforcement division.
- (d) Ensure the new Tidemark system tracks the number of permits and inspections and is used effectively for management information and accountability purposes, including information on the number of non-productive inspections such as vacant building, no access, or razed building. Establish targets for compliance at all levels, including inspector, supervisor, and division chief.
- (e) Personnel need to be accountable for following up on violations, especially emergency violations, in a timely manner. Division Chiefs need to ensure every effort is made within budget constraints to comply violations.
- (f) Fill vacant positions or determine reasons why positions cannot be filled. Investigate contracting out positions that cannot be filled by qualified staff. Ordinance 290-H, Section 12-11-14.4 allows BSED to accept inspection

reports of approved inspection services that satisfy its requirements as to qualifications and reliability.

- (g) Mail all violation notices within three days of the inspection, which noted the violation.
- (h) Limit referrals of presale housing inspections, especially for heating, so that inspectors in other divisions have more time available to perform permit, periodic, and enforcement inspections.
- (i) Create educational programs for the public about BSED's mission (i.e., provide for the safety, health, and welfare of the general public as it pertains to buildings and their environs), permit, and inspection requirements.

7. Need to Improve Collection Efforts

BSED needs to improve collection efforts for delinquent accounts receivable. Uncollected accounts are not turned over to the City Treasurer for collection as required. In addition, collection activity is weak with the Department relying on the persons and businesses billed to pay. As a result, there is a large balance of uncollected fees due for periodic inspections, use licenses, and other fees with many over several years old that probably will never be collected. We estimate the Department has lost millions of dollars in revenues over the past ten years because of the lack of an effective collection effort.

City Ordinance 290-H, Section 12-11-22.3, states that "Fees charged for the issuance of all building, wrecking, and moving permits, the inspection of existing buildings and structures, business or trade licenses, also, permits, licenses and certificates required for the maintenance of equipment as provided for by all ordinances enforced by this Department shall be collected by the Licenses and Permits Division of the Buildings and Safety Engineering Department." A good system of internal control includes a system of authorizations, reporting, analyzing, and collection, adequate to provide effective accounting controls over revenues and also requires that records reflect, as accurately as possible, the amount of receivables to be collected.

The City Code, Chapter 18-6-3 requires City departments to use diligent effort for a period not to exceed thirty days from date of issuance to effect collection of accounts receivable. Collection of accounts, which are not paid within thirty days after the issuance thereof, shall become the responsibility of the City Treasurer's office.

The Licenses and Permits (L&P) division is responsible for mailing fee notices (i.e., billings) for periodic inspections, use licenses, and other fees due BSED with the exception of applications for rental registrations and rental inspections and associated fees, which are handled by the Housing division. The L&P division receives all the payments of billings, including those handled by the Housing Division, and issues the appropriate certificates and licenses to the payees. The L&P division also provides copies of the certificates and licenses to the other applicable divisions (Housing, Buildings, Plumbing, Electrical, and Mechanical). Clerical staff of each division post the certificate or license numbers and date paid to update the use license and periodic inspection cards maintained by each division.

Our review of BSED accounts receivable collection activities and related records disclosed the following:

- (a) Uncollected accounts receivable are not turned over to the City Treasurer's office as required by City Code.
- (b) There is a large number of delinquent accounts receivable with some dating back to the early 1990's, many of which will probably never be collected.
- (c) There are delinquent accounts receivable, owed by financially solvent companies, that should be collectable with a little follow-up effort.
- (d) Accounts receivable are overstated, because many are uncollectible or should not have been billed.

- (e) Collection rates are low for sign and elevator use licenses.
- (f) There is little or no follow-up, on billings returned as undeliverable by the post office.
- (g) Final notices were not always mailed for nonpayment and there was no other attempt to contact billed parties by phone or in writing (e.g., late or dunning notices).
- (h) There is no accurate estimate, supported by adequate documentation, of BSED's total accounts receivable.

BSED's uncollected accounts receivable are not submitted to the City Treasurer's office for collection, as required by City code. According to the BSED's Director, the Department had collection staff until these positions were eliminated when the City Treasurer became responsible for collection of all accounts not paid within thirty days of issuance. As a result, the collection efforts for amounts due BSED became unsatisfactory.

There are thousands of unpaid billings in the L&P division that date back to the early 1990's. We even found a few that go back to the 1970's. We estimate there are over 100,000 delinquent billings in the L&P division, which most, in our opinion, will be difficult to collect.

There was also a large number of accounts receivable that were long past due from other City departments (e.g., the Planning and Development Department) and the Federal Department of Housing and Urban Development (HUD). HUD owes \$104,786, billed on forty invoices, for housing inspections conducted from 1986 to 1990. The Director of BSED said the Planning and Development Department accounts receivable should not have been billed and were invalid accounts receivable.

Many delinquent accounts receivable are owed by companies and rental owners that are still in business. We identified some large apartment complexes, with large delinquent rental inspection and rental registration fees, that were still in business. We observed financially solvent corporations, including one Fortune 500 company, that had large delinquent balances for elevator use licenses. These companies should have the means to pay the delinquent balances due to BSED.

We sent out fifty-eight confirmation letters (an auditing method used to substantiate accounts receivable balances due) on delinquent accounts and received twenty-one responses. Of the twenty-one responses, we had three offers to pay and actually received one check that we forwarded to BSED; three others confirmed the balance was due; three claimed to have already paid, but BSED never posted the payment; one claimed to have made a partial payment that BSED had not posted; three were billed to the incorrect party; five were returned because the billing address was incorrect; and three claimed the items (e.g., equipment and signs) subject to the use license were out-of-service.

The Department's accounts receivable are overstated because they include billings, which are not collectable due to incorrect billing addresses, razed buildings, and billings for companies and equipment (e.g., elevators) that are no longer in business or in use.

We reviewed nineteen delinquent billings and found two had an incorrect business name; nine related to vacant buildings; two were to a location where the building was demolished; three were for abandoned or fire damaged properties; and three were correctly billed to a viable business. We also reviewed fifteen delinquent rental inspection billings and found that six of the fifteen properties were razed and the billing addresses were wrong for eight of the nine remaining properties. Further, we noted that five locations were billed for elevators that inspection reports had noted were out-of-use.

Collection rates are low for sign and elevator use licenses. The collection rate for the annual sign use licenses fee notices billed in the fiscal year 1998-99 was 28% (\$499,381 of \$1,763,933). The sign use license billings included \$983,168 (56%) for delinquent amounts from prior years that were rebilled. The collection rate for the annual elevator use licenses billed in the fiscal year 1998-99 was 43% (\$311,958 of \$719,002). We could not determine the collection rates for other types of services, such as periodic building inspections and boiler use licenses because the necessary data was not available.

There was no evidence that BSED was making a diligent effort to collect accounts receivable. There was no documentation of follow-up on delinquent accounts to determine why those billed were not paying. Until the year 2000, billings returned by the post office were not researched to find correct addresses and update records. Final notices for unpaid billings were not sent to billed parties, until recently, and phone calls or other contacts were not attempted.

As noted in finding four, the Licenses and Permits division does not maintain subsidiary ledgers of accounts receivable for unpaid use license fees and periodic inspections, or report on them periodically. In addition, there is no aging report prepared for accounts receivable. Consequently, there is no accurate data on the total amount of BSED's accounts receivable.

As noted in finding two, the Department needs to (1) perform a complete analysis of its accounts receivable and write off the appropriate delinquent accounts to provide an adequate estimate of collectible accounts, and (2) submit those open accounts receivable that are considered collectible to the City Treasurer's office.

Also, as noted in finding five, the Housing division does not compile or maintain aging reports to readily show the number of applications for rental registrations and inspections that have not been returned and the associated unpaid fees. The Department needs to track such applications and report on the number issued, returned, and not returned, as well as the related dollar amounts.

The Department is currently attempting to improve collections by having staff follow-up on returned mail to find correct addresses. Also, final notices are now mailed to billed parties. We were told by Housing division personnel that they have been doing research on returned mailings, but staff has not been found to update the database for the correct owners and addresses.

Recommendation

We recommend BSED take the following action to improve its collection efforts:

- (a) Research all returned mail for delinquent accounts to identify and determine correct addresses, razed properties, companies out-of-business, use license items and equipment out of use, and any other useful information. Rebill all delinquent accounts receivable with incorrect addresses to the correct address. Cancel accounts receivable that are no longer valid.
- (b) As noted in the first finding, establish an Accounting division to be responsible for accounts receivable. In addition, BSED should utilize the Oracle Accounts Receivable system or another suitable system to account for its accounts receivable. Also, subsidiary ledgers, reconciliations, and aged accounts receivable reports should be produced periodically (e.g., quarterly).
- (c) Establish written policy and procedures for periodic review, analysis, and write off of delinquent accounts receivable.
- (d) After determining and identifying collectible and uncollectible accounts receivable, as recommended in finding two, submit those open and collectible accounts, not paid within thirty days of issuance, to the City Treasurer's office for collection.
- (e) Have Inspectors assist initially in the cleanup of the accounts receivable by requiring them to take copies of delinquent bills for each location they're inspecting, and checking the ownership and addresses, and if possible determining why the bills have not been paid. Also, a copy of each delinquent bill should be left with the responsible party. Clerical staff should attach copies of delinquent bills to the inspectors' route sheets. However, inspectors should not be allowed to accept payment.

8. Need to Improve Accounting for Fire Insurance Escrow Fund

BSED is not properly reconciling the fire insurance escrow fund manual ledger, which functions as a subsidiary ledger, to either the general ledger or bank records. Also, the database established to account for the fire insurance escrow fund was not maintained. In addition, some documentation related to inspections of properties was missing and follow-up on violations was not always performed. As a result, there is little assurance that fire insurance proceeds are being safeguarded, properly accounted for, and used for their intended purpose (i.e., demolitions). Also, the Department did not budget for the interest revenue of the fire insurance escrow fund to defray inspection and administration costs incurred for the fund.

State Public Act 217 of 1998, Section 2227, details the requirements for the maintenance of fire insurance escrow funds by cities. It requires insurance companies to withhold from claims for loss, including fire damage to real property, 25% of the actual cash value of the insured real property at the time of the loss or 25% of the final settlement, whichever is less. For residential property, the 25% settlement or judgment withheld shall not exceed \$6,000, adjusted annually beginning June 1, 1999 in accordance with the consumer price index. The insurer shall give notice of the withholding to the Treasurer of the City. The City shall request the insurer to pay the withheld amount into an escrow account maintained by the Treasurer of the City. Upon receipt of the request, the insurer shall forward the withheld amount to the Treasurer of the City. Upon receipt of money and information from an insurer, the Treasurer shall record the information and the date of receipt of the money and shall immediately deposit the money in an escrow account. The escrow account may be interest-bearing. Money deposited in an escrow account shall not be commingled with other City funds. Any interest earned on money placed in escrow may be retained by the City to defray expenses incurred. The policy proceeds deposited shall be immediately forwarded to the insured when the City receives or is shown reasonable proof that the damaged structure has been repaired, replaced, demolished, or removed in compliance with City code, or a contract has been entered into to perform repair, replacement, or removal services. If reasonable proof is not received by or shown to the City within 120 days after the policy proceeds are received by the Treasurer, the City shall use the retained proceeds to secure, repair, or demolish the damaged or destroyed structure and clear the property, so that the structure and property are in compliance with local code requirements and applicable ordinances of the City. Any unused portion of the retained proceeds shall be returned to the insured.

The total assets (cash and investments) reported in the general ledger for the fire insurance escrow fund were \$4.3 million on June 30, 2000, compared to \$3.1 million on June 30, 1999, and \$2.0 million on June 30, 1998. The proceeds payable liability (i.e., undistributed proceeds for which demolitions or repairs had not taken place) was \$3.9 million on June 30, 2000, compared to \$2.8 million on June 30, 1999, and \$1.6 million on June 30, 1998. The fund has grown significantly since 1998, due in part, to the change in the State law in 1998. The bank balance of the fire insurance escrow fund was \$4.5 million on June 30, 2000, and earnings on investments of the fire insurance escrow fund for the fiscal year 1999-2000, amounted to \$199,596.

Good accounting practices require detailed subsidiary records be maintained for the fire insurance escrow fund and that the balance of the subsidiary accounts be reconciled to the general ledger and pertinent bank account balances periodically (e.g., monthly). Reconciliations provide assurance that funds are being safeguarded and properly

accounted for and reported. These practices should include an aging of accounts, particularly to identify accounts over 120 days from the date of receipt of the fire insurance escrow funds. The Department should follow-up on the 120 day old accounts and take action to have them demolished or repaired.

Neither BSED nor the Finance Department could provide us with a recent reconciliation of the fire insurance escrow fund subsidiary ledger to the general ledger and bank account, or with the correct balance of the fire insurance escrow fund at June 30, 2000. Due to incomplete and inadequate record keeping, there is no assurance that the \$4.3 million in total assets reported in the general ledger and bank account includes only and all of the legitimate transactions of the fire insurance escrow fund. The Director told us that BSED has developed a reconciliation spreadsheet and is currently attempting to compute the reconciled balance as of July 1, 2000.

Our review of BSED's manually maintained subsidiary ledger for the fire insurance escrow fund, noted over 2,000 open files at June 30, 2000, totaling approximately \$9.7 million, as detailed in the table which follows. There were more than 2,000 files over one year old with many dating back to the 1980's. As previously noted, the bank balance for the fire insurance escrow fund, at June 30, 2000, was \$4.5 million. The large difference of \$5.2 million (\$9.7 million less \$4.5 million) between the subsidiary ledger and bank balance indicates poor record keeping, such as not posting many disbursements for demolitions and refunds, and/or a possible mishandling or misappropriation of the funds. In addition, the large number of old accounts could also indicate that many blighted properties for which fire insurance escrow funds are maintained either (1) have not been repaired or demolished and have remained in a blighted condition for many years, or (2) they were demolished or repaired and the escrow funds are payable to the owners for repairs or the City's Department of Public Works for demolitions. The following table presents data on open accounts of the Fire Insurance Escrow Fund, as of June 30, 2000:

Calendar Year Funds Received	Open Account Balance	Number Open Accounts	Number of Accounts Received for Year	Percentage Open
1983	\$ 96,637	48	512	9.4%
1984	141,142	62	681	9.1%
1985	157,228	62	760	8.2%
1986	243,260	75	775	9.7%
1987	287,161	98	984	10.0%
1988	361,726	135	1,165	11.6%
1989	614,715	190	815	23.3%
1990	398,492	74	315	23.5%
1991	417,290	75	310	24.2%
1992	295,376	62	305	20.3%
1993	362,198	75	369	20.3%
1994	465,043	100	430	23.3%
1995	775,244	136	393	34.6%
1996	886,666	175	389	45.0%
1997	927,681	199	391	50.9%
1998	756,478	154	341	45.2%
1999	1,851,473	388	752	51.6%
2000*	<u>683,898</u>	<u>148</u>	<u>200</u>	<u>74.0%</u>
Total	\$ 9,721,708	2,256	9,887	22.8%

*Files covering the period from January 1, 2000 to June 30, 2000 were being processed by BSED at the time this table was prepared, and were not included in the totals.

We visited ten addresses for accounts that were posted to the manual ledger during the fifteen year period from 1985 to 2000 and currently considered as open, and found six vacant lots, one vacant and open apartment building (file dated 1994), two occupied homes (files dated 1993 and 1998), and one occupied business (file dated 1999). Files should have been closed for nine of the ten and the designated funds disbursed to the parties who paid for the cost of repairs and demolitions. The vacant and open apartment building should have been demolished by now.

The database that was prepared to replace the manually maintained ledger as the subsidiary ledger for the fire insurance escrow fund was not being maintained. It appeared that records for the current year were the only records posted to the database. As a result, we could not place any reliance on this database for an accurate balance of the fund. The Director told us that the database crashed in 1999, and all updates were lost.

Documentation for inspections of repaired or demolished properties was missing from BSED's files. We reviewed ten payments made from the fire insurance escrow fund to property owners or to demolition contractors to determine whether inspections were conducted by BSED to verify that the repairs or demolitions were done in accordance with applicable codes and ordinances. We could not find documentation of any final inspection for five of the ten payments.

Ordinance 290-H Section 12-11.28 requires BSED to inspect all dangerous (open and vacant) buildings reported in the City and issue a notice of the dangerous and unsafe condition to the owner of record. The notice requires the owner to appear at a hearing and show cause why the building or structure should not be demolished, repaired, or otherwise made safe. The building or structure can be ordered demolished, repaired, or otherwise made safe at the hearing. If the owner does not act, the hearing officer shall file a report of his or her findings with the City Council and request that the building or structure be either demolished, repaired, or otherwise made safe. The City Council shall hold a hearing where it will either approve, disapprove, or modify the request of the hearing officer. The owner of the property will be given the opportunity to appear at the City Council hearing to show cause why their building or structure should not be demolished, repaired, or otherwise made safe.

We reviewed five violation notices issued to owners of buildings that sustained fire damage in 1998, to determine whether BSED was properly following-up on them to ensure that they were repaired, made safe, or demolished. The inspections took place in September 1998. We could not find any documentation or follow-up for two of the five we reviewed. Documentation for the other three, noted one had been repaired, one was demolished, and one was barricaded. The fire insurance escrow funds for three of these properties have been held for over twenty-one months with no action, even though all should have been demolished or repaired during that time.

BSED did not budget the interest revenue earned by the fire insurance escrow fund in 1999-2000 to defray incurred inspection and administrative costs, as provided by State law.

Recommendation

We recommend a complete and separate investigation of the fire insurance escrow fund be undertaken to determine whether all of the funds received were used in accordance with State law and for intended purposes, and whether the difference between the subsidiary ledger and bank balances can be accounted for or adequately explained.

In addition, we recommend BSED take the following actions to improve accountability for the fire insurance escrow fund:

- (a) In accordance with finding two, establish an Accounting division and give it the responsibility for developing and maintaining a subsidiary ledger on a spreadsheet or database for the fire insurance escrow fund and reconcile the subsidiary ledger to the general ledger and bank statements each month.
- (b) Ensure demolition inspection reports and inspections of repairs for fire insurance escrow fund accounts are properly documented, before the payment of the funds to the owners or demolition contractors of repaired or demolished real property.
- (c) Use interest earned from the investment of fire insurance escrow funds to defray costs incurred for inspections and administration of the fund, as provided by State law.

9. Need to Improve Customer Service

BSED customer service needs to be improved. There is a lack of: (1) consistency in the application of ordinances, codes, and procedures among inspection and clerical staff of the BSED; (2) effective use of communication technology; and (3) employees training. Unsatisfactory customer service discourages contractors from doing business in the City, which could lessen economic development. It also discourages compliance with City codes and ordinances, such as obtaining permits and scheduling inspections.

Satisfactory customer service includes providing timely inspection services, courteous and knowledgeable clerical and inspection staff, consistent enforcement of ordinances and codes by all inspectors, timely resolution of customer complaints and problems, and prompt communication of inspection cancellations and delays, findings (i.e., violations), and required certifications.

We interviewed fourteen individuals and contractor representatives, who obtained permits or inspections from BSED within the last two years, on customer service. Many noted that BSED customer service has improved in the last few years, which is notable since the volume of work has increased significantly. There was praise for the Director, Deputy Director, and other BSED managers for good customer service. We also observed some excellent customer service by many of BSED's clerical, and inspection staff, including plan review. However, we also observed poor customer service and noted customer service complaints which, included the following:

- (a) In some situations, application of ordinances, codes, and procedures for plan reviews and inspections were inconsistent when more than one inspector was involved, resulting in permit approval delays, construction delays, or additional costs to contractors.
- (b) Some scheduled inspections were not performed or were delayed without notice to the customer.
- (c) Customer service could be improved for scheduling inspections.
- (d) On some occasions, inspectors refused to explain problems to contractors and/or owners.
- (e) BSED needs to hire more inspection staff.

Some customers we interviewed complained that application of City ordinances and codes, and BSED's procedures for plan reviews and inspections are inconsistent when more than one inspector is involved, resulting in permit approval delays, construction delays, and additional costs to contractors. Some permit applicants and customers receiving inspections complained that some clerical and inspection staff lacked knowledge of ordinances, codes, and BSED's procedures. Contractors told us the skills of each inspector vary. One said that if four housing inspectors performed a presale inspection of the same location, you would get four different reports.

In addition, several contractors complained that one inspector would approve the work and another inspector would come afterwards and override the approval, and cite violations. For example, one contractor said he had constructed a wall that was approved by one inspector, but another inspector came along later and ordered the wall

taken down. Another contractor said that he had passed a final inspection and had received a Certificate of Occupancy and another inspector came out and cited more violations. Permit applicants also complained that inspector service varies in plan review. Contractors said they would like to see more consistent plan reviews and inspections, where specific guidelines are followed and applied consistently. It appears BSED inspectors need training and guidance to provide consistency in the interpretation and application of codes and ordinances during plan reviews and inspections.

A representative of BSED told us it was difficult to get qualified supervisors because the pay differential between the inspector and supervisor level was small, and some inspectors were refusing promotions to the supervisor level.

While most inspections were conducted as scheduled, some scheduled inspections were not performed or were delayed without notice to the customer. For example, a rental property owner said he scheduled two inspections and the inspector never showed or called. He gave up and never had an inspection. He lost two vacation days because he had to take off work to meet the inspector. Contractors and real estate agents said the delays for electrical inspections were holding up construction projects and the sales of homes (i.e., presale inspection housing referrals to the Electrical division).

Customer service was poor for scheduling some inspections. Some customers were put on hold for long periods of time (i.e., over 15 minutes) while on the telephone with the Department's personnel, which discourages them from scheduling inspections. Although most customers are served in a courteous manner, we did observe several instances of customers being treated rudely at the service counters of various divisions, and some customers did complain of rude treatment. We also noted that the Department received a significant number of letters from customers praising employees for excellent service.

Several contractors and business owners said inspectors refused to explain problems or violations to them at the time of the inspection, resulting in delays and additional costs. They also said inspectors were rude to them. One contractor said that when he asked for the code for the violation cited, the inspector said, "I can, but I won't". The owner of an establishment that had been issued violations told us that "it would be helpful if the enforcement personnel (i.e., inspectors) recognized the practical needs of the owners, and if they cannot suggest a more feasible alternative, then explain why the requirements are nonnegotiable".

Contractors and property owners are usually careful not to offend the inspectors due to the power of the inspectors to fail or significantly delay the inspections. Some contractors whose livelihoods could be affected by their remarks asked to remain anonymous when we questioned them about the quality of BSED services.

Contractors complained that BSED needs to hire more inspection staff. When the City implements ordinances, it needs to hire sufficient inspection staff to enforce them.

We also observed the following concerning BSED customer service during our audit:

- (a) The Department is not using its automated phone system effectively. Cellular phones for inspectors could improve communications and services to customers.

- (b) Some clerical staff were rude or short with customers on the phone.
- (c) Clerical and inspection staff lack formal customer service and diversity (i.e., human relations) training.
- (d) Lack of an enforceable employee code of ethics.

BSED's phone system could be utilized more effectively. Customers calling on the phone may have to deal with many BSED personnel before they reach the individual they need. Automated phone systems are used by building departments of other cities (e.g., Seattle, Pittsburgh, Toledo and Houston) to direct calls to the proper section. BSED had an automated phone system to channel the public to the proper service representative, but it was disconnected in 1996. The Director told us that BSED plans to reinstall it. We observed that while most clerical staff were courteous, some clerical staff were rude while speaking to customers on the phone.

There are no phones to link counter staff to supervisors and other division personnel in the Electrical, Plumbing, Mechanical, and Housing divisions, which causes delays in servicing customers.

Inspectors lack cellular phones to improve communications with customers. Inspectors rely on pagers and pay phones for communication when out in the field, which can be inconvenient. Cellular phones would allow inspectors to call ahead to locations they inspect and eliminate unnecessary trips when no one is home. Many other cities (e.g., Seattle, Toledo, and Ann Arbor) supply their inspectors with cellular phones.

BSED needs to continue to upgrade technology to facilitate its ability to respond to customer inspection and other requests and to communicate with field inspectors. BSED has budgeted funding over the past two years for technology and equipment improvements. BSED needs to continue to budget adequate funds to purchase current technology and training for BSED staff to improve service to customers and productivity. During this transition period from manual to automated systems, BSED also needs greater support from the Information Technology Services Department to enable BSED to achieve its goals.

Since, there is high turnover of clerical staff, BSED cannot ensure everyone is trained sufficiently to deal properly with customers. There is a need to have trained and experienced clerical personnel at the counters of the various divisions and on the phones to provide good customer service.

BSED needs to focus on efficient customer oriented delivery of licensing and permitting services, including enforcement, by training employees and management to meet customer service goals. BSED inspectors and clerical staff have not received formal customer service training in several years. BSED is currently developing customer service training through its Labor Management Quality Initiative (LMQI) committee programs. BSED's inspectors also have not received diversity training in the past two years. There is a need for inspectors to be more sensitive to their customers and the public they serve. We were told that BSED was in the process of developing sensitivity and diversity training for its inspectors and other personnel and that customer service and telephone skills training have been scheduled for all clerical staff.

BSED needs to develop an enforceable employee code of ethics to preserve the integrity of its licensing, permitting, and enforcement processes. Ordinance 290-H, Section 12-11-11.6 requires in part that an official or employee connected with BSED not engage in any work, which conflicts with his official duties or with the interests of the Department. There is an increased potential for misuse of the public trust because of the nature of the work done by BSED and temptations that arise because of the large costs involved for many projects and the desire for expediency. There is a need for employees of regulatory agencies who are entrusted with assuring public safety to be ethical, honest, consistent, and fair in their enforcement of ordinances and codes. BSED currently lacks an employee code of ethics.

Recommendation

We recommend BSED take the following actions to improve customer service:

- (a) Implement and provide formal customer service and diversity training for staff periodically. Also provide staff with training on BSED's processes and procedures. It is critical that management establish clear customer service objectives and guidelines and train BSED employees accordingly.
- (b) Develop customer service goals, measures, and targets for the timely delivery of service. Conduct regular and substantive evaluations of employee performance and provide incentives for consistent quality customer service.
- (c) Provide inspectors with training to improve consistency in the interpretation and application of codes during plan reviews and inspections, and to ensure fair and equitable interpretation, application, and enforcement of codes and ordinances.
- (d) Reprogram BSED's automated phone system as soon as possible. In addition, consider providing inspectors with cell phones for better communication. Inspectors should be required to call ahead to their next stop to ensure someone will be there to let them in. Also, BSED should call to notify customers when inspections will be cancelled or delayed.
- (e) Implement new employee orientation and a handbook for new employees. Procedures should be written for each job.
- (f) Develop an enforceable employee code of ethics to preserve and ensure the integrity of the licensing, permitting, and enforcement processes.
- (g) Require personnel to provide their name when they answer the phone, to allow complaints and compliments to be directed to specific individuals.

10. Need to Improve Controls Over Special Land Use Permits and Grants

Special land use grants are not inspected annually to determine whether grant conditions are being met. Also, no filing system for the special land use permits and grants is being maintained. As a result, there is no assurance that special land use grant holders are maintaining them in accordance with the grant conditions. Further, it was difficult to locate and obtain files related to special land use permits and grants.

City Zoning Ordinance 390-G (Section 40.0800) states "A special land use permit shall be deemed to authorize only one specific special land use and shall expire if the special land use shall cease for more than six (6) consecutive months for any reason." Section 66.0000 of the Zoning Ordinance describes the procedures for authorizing regulated land use permits and grants for motels. Section 66.0200 of the Zoning Ordinance states "Prior to the granting of a permit for any regulated use, the Buildings and Safety Engineering Department or the board may impose any such conditions or limitations upon the establishment, location, construction, maintenance, or operation of the regulated use as may in its judgement be necessary for protection of the public interest."

The purpose of regulated use procedures is the recognition that there are some uses which, because of their nature, are recognized as having serious operational characteristics, particularly when several of them are concentrated under certain circumstances, thereby having a deleterious effect upon the adjacent areas. Special regulation of these uses is necessary to ensure that these adverse effects will not contribute to the blighting or downgrading of the surrounding neighborhood.

Section 63.0701 of the Zoning Ordinance 390-G states "The director of the Buildings and Safety Engineering Department shall cause to be inspected from time to time and as nearly as possible, once a year, all special land uses, whether granted by the department or by the Board of Zoning Appeals, and all use variances granted by the board, for maintenance of conditions prescribed in the land use grant. After inspection, the division of licenses and permits of the Buildings and Safety Engineering Department shall issue to the owner or agent a certificate of maintenance of grant conditions upon payment of the prescribed inspection fee."

We were told that special land use grants could not always be made available for inspections and court cases because of poor filing. As the special land use grant is a legal document, it is important that it be filed in an organized manner and in a secured place for the life of the grant.

The Director acknowledged that BSED was not conducting annual inspections of properties awarded special land use grants. Consequently, there was no process to identify special land use grants that had expired. She said BSED will be conducting inspections of all grants to identify those that still exist and ensure that grant conditions are being met. The new Zoning Enforcement division will perform these inspections beginning in fiscal year 2000-2001.

The Director of BSED also told us that files for special land use permits and grants were not organized and were kept in cardboard boxes, but were in the process of being organized and maintained in locked file cabinets in a secure area.

Recommendation

To improve accountability over special land use permits and grants and to satisfy the City's Zoning Ordinance requirements, we recommend BSED:

- (a) Conduct annual inspections of each property awarded a special land use grant to identify those still in effect and to ensure conditions of the grant are still being met; and
- (b) Organize and file the records related to special land use grants and permits in a secure place for the life of the grant.

11. Need to Improve Filing and Record Keeping

The filing system for permits and inspection reports, violation notices, general license inspections, and periodic inspections is poor, resulting in long searches for records, which delays responses to customer requests. In addition, records are not adequately secured, which increases the potential for records to end up missing, possibly resulting in reduced Departmental revenue (i.e., billings not done) and public safety (i.e., violations not enforced).

An adequate filing system is one that ensures records and files are secured, safeguarded and accounted for. It includes controls and tracking mechanisms to ensure records and files are located in a timely manner.

The Department maintains thousands of documents (e.g., permits, violation notices, etc.) that are manually posted. Documents are taken (i.e., pulled) for inspections, enforcement, court action, billings, and other reasons presenting a significant challenge for controlling and locating records.

Currently BSED has no fully implemented system to control files and records. Outcards (i.e., control cards) are not always maintained to identify who took records. The Buildings, Mechanical, Plumbing, and Electrical divisions have tubs with thousands of open permits. They also have file cabinets full of general license inspection requests, violations, and other documents.

BSED clerical and inspection staff complained of having to spend excessive time searching for records. The Department has acknowledged that the "process touches too many hands and probability for record misplacement great".

The filing system in the Buildings division is poor. It is very difficult to find records for completed permits that are filed away. Completed demolition permit inspection reports are filed by location in cardboard boxes and the boxes are maintained by calendar year. There were several demolition permit inspection reports that we requested that could not be found. Another City department told us that BSED could not provide a requested demolition permit inspection record for a location.

BSED needs to improve the security of permits, inspection reports, violations and division cards with billing information and restrict access to these records. This situation is exacerbated by lack of office space. It appears all BSED staff have access to records. Also, there are customers who walk through the file areas who could access the records.

According to the Director, BSED is trying to obtain a records manager position to improve the filing and record keeping process. Also, the Department is in the process of implementing an automated permit and inspection tracking system (i.e., Tidemark), which should reduce manual record keeping and improve control over records and billings. However, it is uncertain as to the impact the new system will have on the existing filing system.

Recommendation

We recommend the BSED take the following actions to improve control and organization of its records and files:

- (a) Obtain a records manager who would be responsible for improving the organization and control of the Department's records and files.
- (b) Establish a filing system that ensures records and files are found in a timely manner.
- (c) Restrict access to records and files to only authorized personnel. Any records removed from the files should be replaced by an outcard which identifies the person who has the records and includes their signatures. Only authorized BSED personnel approved by the Director should be allowed to withdraw records.
- (d) Forms for permits, certificates, billings, and other important documents should be secured in the file room and accounted for periodically.

12. Need to Fill Vacant Positions

As of September 1, 2000, BSED had 84 vacant positions, or 21%, out of a total of 392 positions included in the 2000-2001 Budget. Vacancies, especially in inspector positions, result in less inspections and enforcement services to the City. Currently due to the large number of vacancies in inspector positions, BSED cannot conduct all the inspections required. Also, the inability to fill vacant positions could slow or reduce building in the City. In addition, turnover is resulting in inexperienced personnel, which has adverse consequences for customer service at the customer counter, on the phone, and on inspections.

The large number of inspector vacancies exists for electrical, housing, and plumbing inspectors. There is high turnover of clerical staff, which contributes to clerical errors and poor customer service because of the inexperience of new staff. Also, the Department planned on filling the Zoning Enforcement division positions by July 1, 2000, and having the division operational at that time, but it was only partially operational, as of August 1.

The healthy local economy is making it difficult for the City to recruit inspectors. On September 1, 2000, there were 42 vacant inspector positions or 22% of the 193 inspector positions budgeted including 8 electrical inspector vacancies (22 budgeted), 9 plumbing inspector vacancies (22 budgeted), 21 housing inspector vacancies (53 budgeted), 2 building inspector vacancies (49 budgeted), 1 boiler inspector (6 budgeted), and 1 mechanical inspector (30 budgeted). The shortage of inspectors contributes to BSED's inability to conduct required inspections on a timely basis. For example, in June of 2000, permit holders had to wait over a month between the date an electrical inspection was scheduled and the date the electrical inspection was performed. As noted in finding 6, there were thousands of permit inspections and many periodic inspections not done because of the lack of inspection staff.

The Director told us that although most of the vacant positions have been requisitioned, the problem is in recruiting personnel. She also told us that the scheduling of electrical inspections is improving. Since BSED added six contractual electrical inspectors the delay is less than one week.

The Department is also experiencing difficulties in filling supervising inspector positions, particularly supervising building inspectors. As of September 1, 2000, four of the seven budgeted supervising building inspector positions were unfilled. We were told the reason so many supervising inspector positions were unfilled was that the pay differential between those positions and inspector positions was minimal (i.e., supervisor pay was \$47,500 and inspector pay was \$45,116, according to the City's 2000-2001 Official Compensation Schedule and, as a result, some inspectors were refusing promotions.

The Director told us that in the past, housing inspector positions were deliberately not filled because work was not available. These positions have now been posted and the Department is trying to fill them. The Director also told us that the reasons for clerical personnel turnover were: (1) many personnel were marginal and could not pass their probation; (2) other City Departments recruit BSED clerical personnel; and (3) lack of opportunity for advancement. Delays in recruitment result in new clerical personnel being hired after experienced workers have left, leaving no time or opportunity for transition or training.

It is imperative for public safety and the continued growth of building construction in the City that BSED hire and retain qualified inspector and clerical staff.

Recommendation

We recommend BSED and the Human Resource Department determine the reasons for turnover and vacancies and take action to address such reasons, if feasible. The Department should also investigate contracting work out, if qualified staff cannot be recruited, since Ordinance 290-H (Section 12-11-14.4) allows BSED to accept inspection reports of approved inspection services that satisfy its requirements.

13. Need to Reduce the Net Tax Cost to the City

BSED can lessen the net tax cost to the City for its operations by improving its billing, collections, management information, accountability, and accounting systems and methods.

For the fiscal year 1999-2000, BSED recorded a surplus of revenues over expenditures, totaling \$290,766 (an unaudited amount). BSED's budget included a net tax cost (expenditures over revenues) of about \$3.0 million. However, actual, licenses and permits revenues of \$11.6 million were \$3.0 million higher than the \$8.6 million budgeted, due, in large part, to an increase in overall permit volumes. In addition, salaries and fringe benefits were \$2.4 million less than the amounts budgeted because of the large number of vacancies. BSED would have had an even larger surplus if its billing and collection processes were more effective.

For the fiscal year 2000-2001, BSED's budget includes net tax cost of \$4.2 million, which could be reduced significantly, if the Department's management and administration continues to improve, permit volumes remain high, and certain recommendations included in this report are successfully implemented.

As noted in finding three, State Public Act 245 of 1999 requires that BSED fees must be reasonable and bear a reasonable relationship to the associated costs, and can only be used for the operation of the enforcing agency and not for any other purpose. This requirement could negatively impact the net tax cost of BSED, especially if the Department does not improve its billing system and collections. In addition, this requirement necessitates BSED improve its management and accounting- information systems (see findings one and two), so BSED can effectively analyze operations and provide the means for relating fees to costs. Furthermore, division chiefs and responsible staff need to be held accountable for properly billing all fees in a timely manner.

Other cities, such as Seattle, have ordinances or policies requiring regulatory fees to pay for the direct and indirect costs of regulatory programs. The building and safety departments of the cities of Pittsburgh, Houston, Baltimore, Minneapolis, Indianapolis, and Ann Arbor reported in our benchmark survey that their budgets include sufficient revenues to cover expenses.

The Department has not initiated a fee increase since 1996 because, as the benchmark data on permit fees show, Detroit's fees are among the highest in the country. The Department is now evaluating all fees.

Recommendation

As noted in findings four, five and seven, we recommend significant efforts be directed toward improving the billing systems and collection efforts and in the methods used to account for fee generating inspections and use licenses, which could result in over one-half million dollars in additional revenue each year.

14. Need to Improve Control Over Mail Receipts

BSED has not established a control environment conducive to the safeguarding of checks received in the mail. Often, checks are not deposited in the bank on a timely basis. Delaying the deposit of checks results in greater exposure to risks, such as misplacement and theft, as well, as lost interest income to the City.

City Finance Directive Numbers 18 and 20 require that checks be deposited within 48 hours of receipt. A good control environment to safeguard checks includes: (1) checks are documented in a log which includes payee name, date received, amount, check number, and check purpose; (2) checks are separated from permit and license applications and any other media; (3) check number, amount, and date received are noted on applications or media; and (4) checks are endorsed "for deposit only". In addition, any checks that are not deposited need to be secured overnight in a safe.

Our review and tests of the Department's cash receipt procedures revealed that checks are not properly controlled and deposited in a timely manner. The License and Permits division receives checks through the mail for payment of fees billed, applications for permits and licenses, and other reasons. We noted that: (1) checks are not endorsed "for deposit only", immediately upon receipt; (2) checks are delivered along with applications and other media to other divisions; and (3) many checks are not deposited within 48 hours.

Most of the untimely deposits related to checks for the fire insurance escrow fund, permit applications, and business and occupational licenses applications. Checks for building permits are separated from the accompanying applications and other documents (e.g., building plans) and stored in a strong box, pending approval by the applicable divisions. Checks for other permits such as plumbing, electrical, and elevator are sent along with the applications to the appropriate division for review and approval. We noted these checks are not endorsed "for deposit only". The applications for business and occupational licenses and the related checks are forwarded to the appropriate divisions for review and approval. The forwarding of the checks to the various divisions increases the likelihood of their deposit being delayed and of their being misplaced or lost.

Departmental representatives indicated that most permits and licenses require an approval process before they are issued. Checks for these licenses and permits are not deposited until the approval process is completed, which in most cases take longer than 48 hours.

Recommendation

We recommend the Department maintain stronger controls over checks, including endorsing them "for deposit only" immediately upon receipt and depositing them within 48 hours of receipt as required. When immediate deposits cannot be made, checks should be stored in locked metal boxes and secured in a vault in the cashier's room. Also, checks received with permit and license applications should be separated from the applications and deposited immediately, and refunds issued at a later time, if approval is denied. In addition, checks should not be forwarded to other divisions. If deemed necessary, copies of the checks should accompany the applications to the other divisions.